

Personal Financial Plan

For

Lucy Van Pelt

March 3, 2008

Prepared by

First Affirmative Financial Network

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

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About Your Personal Financial Plan

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

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

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

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

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

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

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

The Assumptions page contains information you provided that is used throughout the presentation. Please review the information for accuracy and notify your Financial Advisor promptly if discrepancies in the assumptions are present; discrepancies may materially alter the presentation.

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

First Affirmative Financial Network

Comprehensive Financial Plan

Personal Information

For: Lucy Van Pelt

Address: 0000 Every Place
Needles, UT 000000

Employer: Charles M. Schultz (CMS)

Work History: Assistant to CMS since 1987

Birth Date: June 14, 1952, current age 55. U.S. citizen since birth.

Status: Widowed with two children. Snoopy is 18 (July 31, 1989) and Spike is 20 (December 2, 1987). Both Spike and Snoopy are students at the University of Needles (freshman and junior), live on or near campus, and Lucy pays the majority of their ongoing expenses. Each works during the summer to earn additional spending money.

Bankruptcy/lawsuits: None.

Goals and Objectives

- 1) You would like to retire at age 60. During retirement you plan to work part-time and travel more.
- 2) You want to continue to support your children until they finish college.
- 3) You would like to maintain your current lifestyle through retirement.
- 4) Neither of your parents lived past the age of 80, and you have had some serious health issues. You believe that your life expectancy will be shorter than that of your parents. Your goal is to ensure that your resources upon retirement will support you until 2022 (when you will be 67). In 2022 you will receive your portion of the Charlie Brown (CB) Trust, and you believe that the trust proceeds will be able to support you for the remainder of your life. However, to be conservative, we have agreed to estimate your life expectancy at 85 (2040).

Key Assumptions

Inflation	3%
Salary Increase Rate	3%
Residence Growth Rate	0% (will always be used for residence)
Mortality	85
Medical Cost Inflation Rate	8%
College Education Inflation Rate	6%
Emergency Fund	\$42,541 (6 mos. exp net inc taxes)
Net Rate of Return – Pre-retirement	7%
Net Rate of Return – Post-retirement	5%

Social Security Projection (% of estimate)	100%
Social Security Inflation Rate	2%
Value of Trust at Distribution in 2022	\$770,520
Income from part-time work (2013-2023)	\$ 15,000 in 2007 dollars, increasing at 3%/yr.

Please see the accompanying Personal Retirement Plan that presents additional details, charts and tables to help explain the analysis below.

Net Worth Analysis and Comments (see Net Worth Statement and Asset Worksheet)

You have retirement assets of approximately \$200,000 and additional investments of \$75,000. In addition, you have very low debt and pay off your credit card debt each month. You are contributing to your employer's 401(k) plan at a level that provides you with the maximum employer match.

Cash Flow Analysis and Comments (see Expense Worksheet)

Current Monthly Cash Flow

Gross Earned Income (salary: 96,278 & bonus 8,000)	\$	8,690
Unearned Income (trust)	\$	1,675
Taxes (Federal and State)	\$	(2,158)
Fixed Expenses (other taxes, debt, ins, util.)	\$	(2,082)
Discretionary Expenses (all other exp)	\$	(5,008)
Savings	\$	<u>(961)</u>
Monthly Excess (Deficit)	\$	156

This cash flow shows a conservative estimate of your bonus, which was \$12,000 in 2006 but is difficult to estimate. It also assumes that all investment income is reinvested and not used for expenses. The "Savings" line reflects your contribution to your 401(k), which is on track to total approximately \$11,500 for the year. As shown, your monthly cash flow is tight, and is likely to continue to be tight while your children are still in college and financially dependent. Furthermore, because you receive your bonus at the end of the year, your monthly living expenses often exceed your monthly take-home income. Options for strengthening your monthly cash flow include reducing expenses and paying off some of your debt with liquid assets from your Wm Blair investment account.

Tax Analysis and Comments

	2006 (actual)		2007 (estimated)
Income			
Wage Income (Net pre-tax deductions)	\$ 92,353	\$	89,692
Interest/Investment Income and ST Gains	\$ 13,052	\$	13,444
Qual Div and LT Capital Gain (Loss)	\$ 8,937	\$	9,205
Total	<u>\$ 114,342</u>	\$	<u>112,341</u>
Adjustments	\$ -	\$	-
Adjusted Gross Income	\$ 114,342	\$	112,341
Itemized/Standard Deduction	\$ 7,550	\$	7,850
Tax Calculation			
Income less deductions	\$ 106,792	\$	104,491
Exemptions	\$ 9,900	\$	10,200
Taxable Income	\$ 96,892	\$	94,291
Tax Credits	\$ 69	\$	71
Regular Federal Tax	\$ 17,952	\$	17,828
AMT Tax	\$ -	\$	1,593
Total Federal Tax	\$ 17,952	\$	19,421
Payments	\$ 19,604	\$	13,948
Balance Due (Refund)	\$ (1,652)	\$	5,473
State of UT Tax (6% on interest and dividends)	\$ 752	\$	807

In 2006, you had an AGI of \$114,342, taxable income of \$96,892, and filed as Head of Household. You were in the 28% tax bracket and had an effective federal tax rate of 16%. The alternative minimum tax did not apply to you in 2006.

Your estimated AGI for 2007 is \$112,341 and, unless Congress implements changes prior to year-end 2007 (which they did in 2006), it looks likely that you will have to pay the Alternative Minimum Tax (AMT) in 2007. You are susceptible to AMT due to your wage income and capital gains, along with significant exemptions. You do not have incentive stock options, private activity municipal bonds, or itemized deductions that you could manage in order to reduce or eliminate your AMT liability.

You do not have many alternatives for reducing your federal tax in 2007. You could defer tax on more of your income by reducing your expenses and increasing your 401(k) contribution up to your allowable maximum of \$20,500.

You had nearly \$9,000 in capital gains in 2006, and through August 2007 show long-term capital gains of \$4,800 from Wm Blair. In addition, many of your investments at Wm Blair, which are in taxable accounts, show significant unrealized capital gains. Your actual 2007 capital gains could differ significantly from the amount shown above; higher capital gains will increase your tax liability.

You have low state, local, and property taxes, and can continue to use the exemptions for your children, until they turn 24 years old, as long as they are full-time students.

Insurance Analysis and Comments

Medical: You have good comprehensive health insurance for yourself and your two sons, including dental insurance through CMS, which costs \$92 per pay period (\$2,392 per year). You have decided not to take advantage of CMS’s flexible spending account because it is too bureaucratic and onerous.

Disability: You have long-term disability insurance coverage from UNUM through CMS which will provide 35% of your most recent salary, although you must meet the stringent social security definition of disability. In addition, CMS will pay a disability retirement benefit of approximately 30% of your highest 3-month average salary, providing you with the recommended coverage of 65%.

Life: You currently have a total of \$400,000 in term life insurance benefits, with your estate as the beneficiary (and your children as the beneficiaries of the estate):

Life Benefits	Description
a) \$10,000	Core life insurance provided by CMS. Stops at retirement.
b) \$194,000	Optional life insurance provided by CMS. Can convert to an individual policy at retirement. Currently pay \$26/pay period (\$676/year).
c) \$99,000	Basic federal employee life coverage. Can keep this coverage at group rate until 65, and then benefits decrease each year but no premium is due. Currently pay \$15/pay period (\$387/year).
d) \$97,000	Optional federal life coverage. Can keep this coverage after retirement but must pay increasing premiums. Currently pay \$27/pay period (\$706/year).

You have more than adequate life insurance coverage and should consider dropping the optional federal life coverage now, which is your most expensive coverage, and which would save you \$706 per year. The remaining \$303,000 in coverage would be more than sufficient to support your children until they finish college and become financially independent. In addition, they are the exclusive beneficiaries of your entire estate through a testamentary trust to be administered by your brother, and will receive the proceeds of the CB trust in 2022 if you are deceased. Once they have completed college and are financially independent, you could consider dropping all of your life insurance.

Long Term Care: You do not have long-term care insurance. The attached plan includes some information about long term care insurance, which you should consider carefully. Given your health history, you will not have many long term care insurance options, and any policies for which you qualify are likely to be expensive.

Liability: You have a \$1,000,000 Travelers personal liability umbrella policy (\$178 annual premium) and a \$1,000,000 uninsured motorists policy (\$166). These two policies require certain coverage for homeowners and auto liability, which you have in place.

Automobile: You have insurance on your two cars, with coverage for both of your sons. You pay \$2,700 in total annual premiums for coverage including \$500,000 bodily injury and property damage per accident, and \$500,000 uninsured motorist bodily injury and property damage per accident. Your collision and comprehensive deductibles are \$1,000 each.

Homeowners: You have an HO3 policy from Travelers with a \$500 deductible and a 5% earthquake deductible. Your premium is approximately \$800 per year. You also have a personal articles policy with \$26,000 of insurance for jewelry, silverware, and fine art, and pay an annual premium of \$128. You could consider increasing your deductible to \$1,000 to better reflect the size of your smallest likely claim, and this may actually decrease your premium somewhat.

Investment Analysis and Comments

Account	Description	Amount
Wm Blair - Taxable	5 stocks, mostly large & mid-cap domestic growth	\$37,374
Wm Blair - Taxable	Thornburg Int'l Value Fund – Int'l large blend	\$38,097
T-Rowe Price IRA	T. Rowe Price Growth Stock – Large Cap Growth	\$58,878
CMS 401-k	Fidelity Target Date Fund (2015); 23% bonds.	\$45,339
	Spartan 500 Index	\$55,004
	Fidelity Otc Portfolio – Large Growth	\$34,199
	CMS Fixed Bond Fund B	\$11,428
Total Investment Assets		\$280,319
Cash and Savings	Money mkt and savings accounts	\$48,891
Total Liquid Assets		\$329,210

You have a fairly aggressive portfolio of primarily large-cap growth stocks, and have 13% of your portfolio in five individual stocks. Holding a small selection of individual stocks increases the volatility in your portfolio. You classify yourself as having limited investment experience, and you do not track the performance of your stocks, but rely on your broker’s advice for making trades. You have indicated that your stockbroker will be retiring soon, and that you do not want to establish a relationship with another broker.

Selling your individual stocks, and developing a mutual fund portfolio allocated to a broad array of asset classes, will diversify your assets and help protect you from market volatility as you approach retirement. On your risk questionnaire you indicated that capital growth, inflation protection, and low volatility were all important to you, and that aggressive growth was not important. Although your answers indicate that you are fairly risk tolerant and could withstand some market fluctuations, you indicated that you do not want to reduce your financial goals during retirement, nor do you want to experience a fluctuation that might require a recovery time of more than 2-3 years. All of these factors indicate that you should develop a less aggressive and more diversified portfolio.

Asset Allocation	Current	%	Proposed	%
Large Cap	\$ 210,429	75%	\$ 70,080	25%
Mid Cap	\$ 9,937	4%	\$ 42,048	15%
Small Cap	\$ -	0%	\$ 33,638	12%
International	\$ 38,097	14%	\$ 36,441	13%
Alternatives (Real Estate/Commodities)	\$ -	0%	\$ 14,016	5%
Fixed Income	\$ 21,856	8%	\$ 84,096	30%
Total:	\$ 280,319	100%	\$ 280,319	100%

Retirement Plan (see Retirement Summary page)

You are positioned to potentially meet your goal of supporting yourself with part-time work and your investment income from the time you would like to retire (at 60) until the Trust is distributed in 2022. This analysis assumes a slight reduction in some annual expenses in retirement due to the financial independence of your children (see the attached Expense Worksheet), and that you will have paid off your mortgage and car loans. However, if you wanted to maintain your current level of living expenses in retirement (enabling you to, for example, move to a more expensive location), your current plan might not provide sufficient income to support you until 2022, nor for the period after 2022. If you want to have more flexibility with regard to expenses during retirement, you should increase your retirement savings as much as possible for the next five years, and/or consider postponing your retirement until 62, when your pension payments will increase.

Your ability to live off of the trust proceeds after 2022 is highly dependent on the value of the trust at that time, which is impossible to estimate. Conversations with the trust managers, and my own calculations, indicate that under a moderate scenario you can expect to receive approximately \$770,000 at that time (with the low and high estimates from the trust managers indicating \$384,000 and \$1,655,000 respectively). Under the moderate scenario, it appears that your assets are likely to last until age 85. However, if your trust distribution is less than the estimated \$770,000, you are likely to have income shortfalls in advance of reaching age 85.

You have several options for strengthening your financial situation before retirement. Decreasing your current expenses and increasing contributions to your 401(k), as well as other savings, would strengthen your situation. By waiting until age 62 (or later) to retire you would increase your pension income by about \$400 per month. You can increase your social security income by waiting to collect until age 65 or later. You could also earn more than what we estimated (\$15,000) from part-time work after your retirement.

Estate Plan

You have a will, an irrevocable living trust, a durable general power of attorney, a durable health care power of attorney, and a living will, all of which were put in place in the State of UT within the past 10 years.

Your will leaves all of your assets (and life insurance proceeds) to your estate, and directs that a testamentary trust be formed with your brother as trustee and your two children as beneficiaries. Your IRA and 401(k) are both left to the Estate, which may have negative tax consequences for your children upon your death. Furthermore, because all of your assets will be going through the estate to be distributed, your children (and executor) will not have access to any of your assets until probate is completed.

You are well below the current exclusion for federal estate taxes.

Summary of Recommended Action Steps

- 1) Discuss your estate plan with your attorney to ensure that the retirement assets that go to your estate (your IRA and 401k) will be eligible for "stretch" distribution over your children's life expectancy. Enabling your children to stretch the distributions will provide your children with significant tax deferral benefits on these assets. Your children may also need some liquid assets to help cover expenses while your estate is in probate. Consider making your children the beneficiaries of some of your investment accounts (or life insurance) directly, so that they can receive those assets immediately upon your death, rather than waiting for the probate process to settle your estate.
- 2) Consider paying off your car loan (\$2,300) and the remainder of your mortgage (\$8,681) with your savings. Using \$11,000 to pay off your debts will enable you to maintain an emergency reserve of more than 5 months, while increasing your monthly cash flow by \$1,000. A portion of this additional cash flow could be used to increase contributions to your 401(k); you are eligible to contribute \$20,500 in 2007 (and are on track to contribute \$11,532). Additional savings in your 401(k) will provide you with more expense flexibility in retirement and help reduce your future dependence on the value in the trust. You could also use a portion of the savings to replenish your emergency fund to six months worth of expenses, and to cover potential cash flow shortfalls.
- 3) Sell your stocks to reduce your exposure to individual stocks, diversify your portfolio, and take advantage of the low capital gains rate. These funds could be invested in mutual funds in accordance with the asset allocation plan recommended above, in order to reduce the volatility of your portfolio as you approach retirement.
- 4) Discuss with your insurance agent the possibility of increasing the deductible on your homeowners insurance such that your deductible matches the amount of your smallest likely claim. This may also decrease your premium.
- 5) Discuss your personal liability and uninsured motorists coverage with your insurance agent. Unless your personal liability umbrella does *not* cover liability related to uninsured motorists, you may determine that you do not need uninsured motorists coverage.
- 6) Consider decreasing your life insurance coverage now by eliminating your optional federal life coverage. Your remaining life insurance will provide sufficient income for your children to finish college and become financially independent. Once your children become financially independent, you could consider eliminating the rest of your life insurance. Keep in mind that each of your children will receive half of your Trust proceeds in 2022 if you are deceased.
- 7) Before deciding to retire, I recommend that you re-assess your financial situation and consider whether you would prefer to work a few additional years in order to strengthen your financial situation prior to retirement. By waiting until age 62 to retire you can increase your pension income by about \$400 per month. Your social security income will also increase if you defer receiving social security until the age of 65 or later.

Summary

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

Your Current Situation:

- You have assets of approximately \$597,211.
- You have liabilities of approximately \$14,281.
- Your net worth is approximately \$582,930.
- You now have \$280,320 in working assets and are adding \$14,940 per year.

Your Goals:

- You want to retire at age 60.
- Monthly after-tax income needed at that time is \$4,759 (in today's dollars).
- You will need the income until the last life expectancy of age 85.

Analysis Details:

- Asset Allocation: Type of Investor - Somewhat Aggressive
- Long-term care assets at risk: \$327,898
- Net Estimated Life Insurance Needs Shortage for Lucy: None
- Lucy has a Will.
- Lucy has a Durable Power of Attorney.
- Lucy has a Living Will.
- Lucy has a Health Care Power of Attorney.

Retirement Analysis

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

Actions:

The analysis projects that you will have \$96,200 left at your life expectancy (not including insurance proceeds). This amount should be considered marginal, since your analysis may not have considered the possibility of expensive long-term care during the final years, premature disability or some other economic downturn that might affect your investments.

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

Net Worth Statement

Lucy Van Pelt

March 3, 2008

ASSETS

Savings And Investments

Common Stocks	\$37,374	
Stock Mutual Funds	38,097	
		\$75,471

Retirement Accounts

Qualified Plans-Lucy	\$145,971	
IRA Assets-Lucy	58,878	
		\$204,849

Other Assets

Residence	\$230,000	
Personal Property	26,000	
Subaru	12,000	
Wm Blair MM	23,041	
ING Savings	12,150	
CU Savings	13,700	
		\$316,891

TOTAL ASSETS	\$597,211
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LIABILITIES

Residence Mortgage	\$8,681	
Credit Card Debt	2,300	
Subaru Loan	3,300	
		\$14,281

Net Worth (Assets less Liabilities)	\$582,930
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Note: Potential taxes due on unrealized gains or assets in tax-deferred retirement plans are not accounted for in this Net Worth Statement.

Asset Worksheet

Description	Current Amount	Annual Additions	Addition Period	Asset Class	Account Taxation	Asset Type
Wm Blair Equities	37,374			Growth	Taxable (1)	Stocks
Wm Blair Mutual Funds	38,097			Agg. Gro.	Taxable (1)	Mutual Funds (Stock)
T Rowe Price IRA	58,878			Growth	IRA (1)	Mutual Funds (Stock)
TVA 401k Annuity	11,428			Income	Tax-Deferred (1)	Annuities
TVA 401k Short-Term	2,919			Income	Tax-Deferred (1)	Money Market
TVA 401k Bonds	16,307			Income	Tax-Deferred (1)	Bond Mutual Funds
TVA 401k Balanced Funds	115,317	14,940	2007-2011	Inc./Gro.	Tax-Deferred (1)	Mutual Funds (Stock)
Totals:	\$280,320					

Expense Worksheet		Estimated Monthly Expenses			
Item	Totals:	Now	Retirement	Survivor Now	Survivor Retirement
		\$6,138	\$4,759	\$0	\$0
Housing-supplies, utilities, prop tax		1,166	1,166		
Food and Basics		1,417	1,500		
Auto operating and maintenance		525	346		
Recreation and Entertainment		279	279		
Vacations		833	833		
Gifts, Donations		167	167		
Home Improvements					
Mortgage Payment		740			
Auto Loan Payment		319			
Life Insurance Premiums		147	70		
Medical Ins Premiums		200	200		
Auto Ins Premiums		192	96		
Homeowners Ins Premiums		68	70		
Disability, Umbrella, Personal Effects		85	32		

Resources Available for Retirement

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

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

Personal Investments

Common Stocks
Stock Mutual Funds

Current Balances

Common Stocks	\$37,374
Stock Mutual Funds	38,097
Total	\$75,471

Retirement Plans

Qualified Plans-Lucy
IRA Assets-Lucy

Qualified Plans-Lucy	\$145,971
IRA Assets-Lucy	58,878
Total	\$204,849

Total Investment Assets

Total Investment Assets	\$280,320
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See Asset Worksheet for detailed annual savings information.

Social Security

	<u>Lucy</u>
Starting Age	62
Benefit at Starting Age (After-tax)	\$11,407

Pension Plans

	<u>Lucy</u>	
Pension Amount	\$5,606*	\$2,400*
Pension Starting Age	62	62
Increase Rate Pre-Retirement	0.0%	0.0%
Increase Rate in Retirement	2.0%	2.0%
Survivor Percentage	0%	0%

*Annual amount, after taxes.

Other Income

Trust Proceeds (current \$530k,+4%-20% tax): \$770,000/year starting 2022, increase rate of 0%, for 1 year.
Home Depot: \$15,000/year starting 2013, increase rate of 3%, for 10 years.
Trust Income of \$20k minus 25% tax: \$15,000/year starting 2007, increase rate of 3%, for 14 years.
Pension year 60&61, minus est tax of 20%: \$17,577/year starting 2013, increase rate of 3%, for 2 years.
Fixed Fund from TVA. No inc tax-roll into def \$11,493/year starting 2012, increase rate of 6%, for 0 year.

Retirement Profile

Developing A Retirement Plan

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

Your Current Retirement Goals

	<u>Lucy</u>	
Age:	55	
Retirement Age:	60	
Years until Retirement:	5	
Years of Retirement:	25	
Annual Retirement Spending (After-tax):	\$57,108	<i>(expressed in today's dollars)</i>

Additional Objectives

Other Expenses

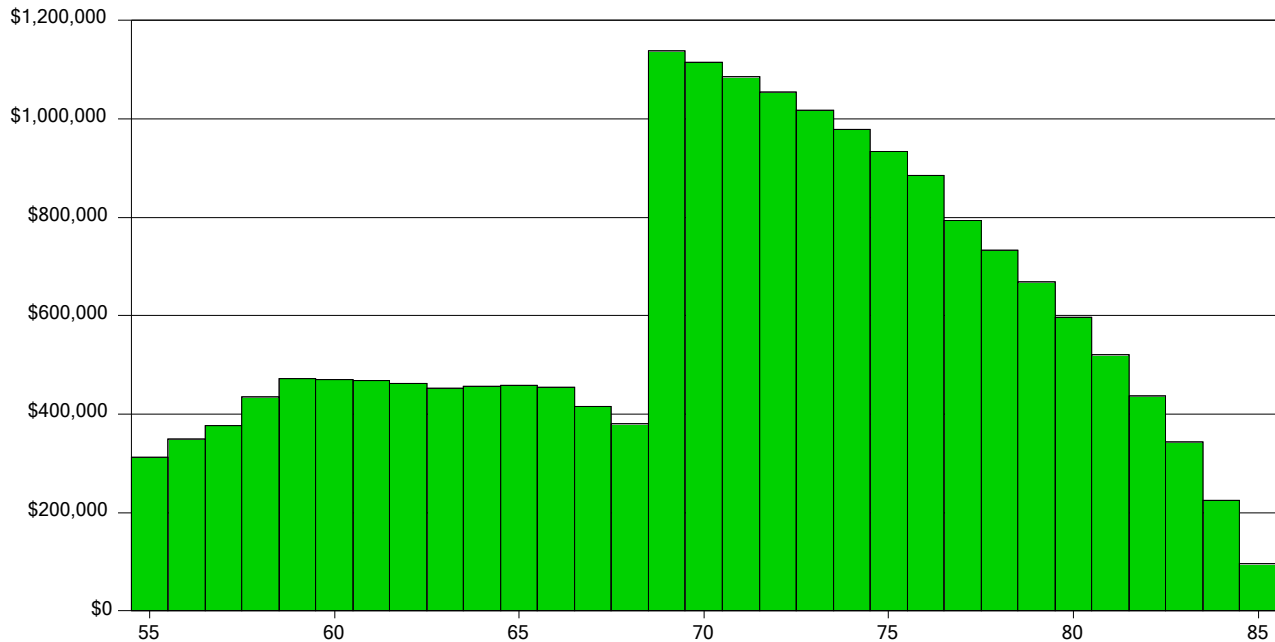
Car for Snoopy:	(\$3,000)/year starting 2008, increase rate of 0%, for 1 year.
New Car for Lucy:	(\$20,000)/year starting 2010, increase rate of 0%, for 1 year.
New Car 2:	(\$20,000)/year starting 2020, increase rate of 3%, for 1 year.
New Car 3:	(\$20,000)/year starting 2030, increase rate of 3%, for 1 year.
Spike's Education/Expenses:	(\$6,700)/year starting 2007, increase rate of 6%, for 3 years.
Snoopy's Education/Expenses:	(\$7,500)/year starting 2007, increase rate of 6%, for 4 years.
CMS Medical Ins 60-65:	(\$6,264)/year starting 2012, increase rate of 8%, for 5 years.

Assumptions

	<u>Pre-Retirement</u>	<u>Retirement</u>
Inflation Rate:	3.0%	3.0%
Income Tax Rate (Average):	20.0%	20.0%
Return on Investments (Average):	7.0%	4.3%

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

Retirement Summary



Retirement Capital Illustration

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

General Assumptions:

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

Retirement Spending Needs*	\$57,108
Retirement Age	Lucy - 60
Inflation - Current	3%
Inflation - Retirement	3%
Tax Rate - Current	20%
Tax Rate - Retirement	20%

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

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

Retirement Capital Illustration Results:

The analysis projects that you will have \$96,200 left at your life expectancy (not including insurance proceeds). This amount should be considered marginal, since your analysis may not have considered the possibility of expensive long-term care during the final years, premature disability or some other economic downturn that might affect your investments.

Goal Evaluation

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

This report illustrates how expenses associated with your financial goals may potentially affect the likelihood of sustaining financial stability throughout your life. Monte Carlo simulations based on your current plan, and including the expenses associated with all your planned expenses, show a success rate of 97%. Since you have indicated that not all the planned expenses are essential, additional Monte Carlo simulations have been run to illustrate how your goals may affect the sustainability of your long term financial plans.

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



Essential expenses only

100%

	Start Year	Inc. Rate	Number of years	Amount per year
Spike's Education/Expenses	2007	6.00%	3	\$6,700
Snoopy's Education/Expenses	2007	6.00%	4	\$7,500
CMS Medical Ins 60-65	2012	8.00%	5	\$6,264



Essential, Primary, and Secondary expenses

100%

	Start Year	Inc. Rate	Number of years	Amount per year
Car for Snoopy	2008	0.00%	1	\$3,000



Essential, Primary, Secondary, and Optional expenses

97%

	Start Year	Inc. Rate	Number of years	Amount per year
New Car for Lucy	2010	0.00%	1	\$20,000
New Car 2	2020	3.00%	1	\$20,000
New Car 3	2030	3.00%	1	\$20,000

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Retirement Capital Analysis

Ages*	Retirement Spending Needs	Sources of Annual Income **				Education & Other Inc/Exp***	Net Surplus or (Shortage)	Annual Additions To Assets	Retirement Capital \$280,320
		Social Security		Pension Income					
		Indv. 1	Indv. 2	Indv. 1	Indv. 2				
55						(2,200)	(2,200)	14,940	312,087
56						398	398	15,388	349,184
57						(12,514)	(12,514)	15,850	376,016
58						16,391	16,391	16,325	435,047
59						8,361	8,361		472,765
60 R	66,204					45,951	(20,253)		471,016
61	68,190					46,869	(21,321)		468,108
62	70,236	11,407			8,006	26,161	(24,662)		461,676
63	72,343	11,635			8,167	26,409	(26,133)		453,487
64	74,513	11,867			8,330	39,143	(15,173)		456,150
65	76,748	12,105			8,496	40,317	(15,829)		457,686
66	79,050	12,347			8,666	41,527	(16,510)		454,943
67	81,422	12,594			8,840	14,258	(45,731)		414,833
68	83,865	12,846			9,017	22,028	(39,975)		380,458
69	86,381	13,103			9,197	792,689	728,607		1,138,855
70	88,972	13,365			9,381		(66,227)		1,113,912
71	91,641	13,632			9,568		(68,441)		1,085,603
72	94,390	13,905			9,760		(70,726)		1,053,720
73	97,222	14,183			9,955		(73,084)		1,018,039
74	100,139	14,466			10,154		(75,519)		978,328
75	103,143	14,756			10,357		(78,030)		934,344
76	106,237	15,051			10,564		(80,622)		885,829
77	109,424	15,352			10,776	(38,322)	(121,619)		793,443
78	112,707	15,659			10,991		(86,057)		733,499
79	116,088	15,972			11,211		(88,905)		668,134
80	119,571	16,291			11,435		(91,844)		597,036
81	123,158	16,617			11,664		(94,877)		519,879
82	126,853	16,950			11,897		(98,006)		436,319
83	130,659	17,289			12,135		(101,235)		344,412
84	134,579	17,634			12,378		(104,567)		224,865
85 L	138,616	17,987			12,625		(108,004)		96,154

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

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

Monte Carlo Simulation Explanation

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

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

Monte Carlo Simulation Technique:

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

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

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

Standard Deviation:

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

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

The Bold Line

The bold line in the Monte Carlo Simulation Results graph tracks the value of assets over the length of the illustration if all rates of return are held stable at the assumed rates of return (see Assumptions). The estimate uses annual expected portfolio rates of return and inflation rates to model the growth and use of assets as indicated under Assumptions (page 3). The bold line represents the values shown in the Retirement Capital Analysis.

Percentage of Monte Carlo Results Above Zero at Selected Ages

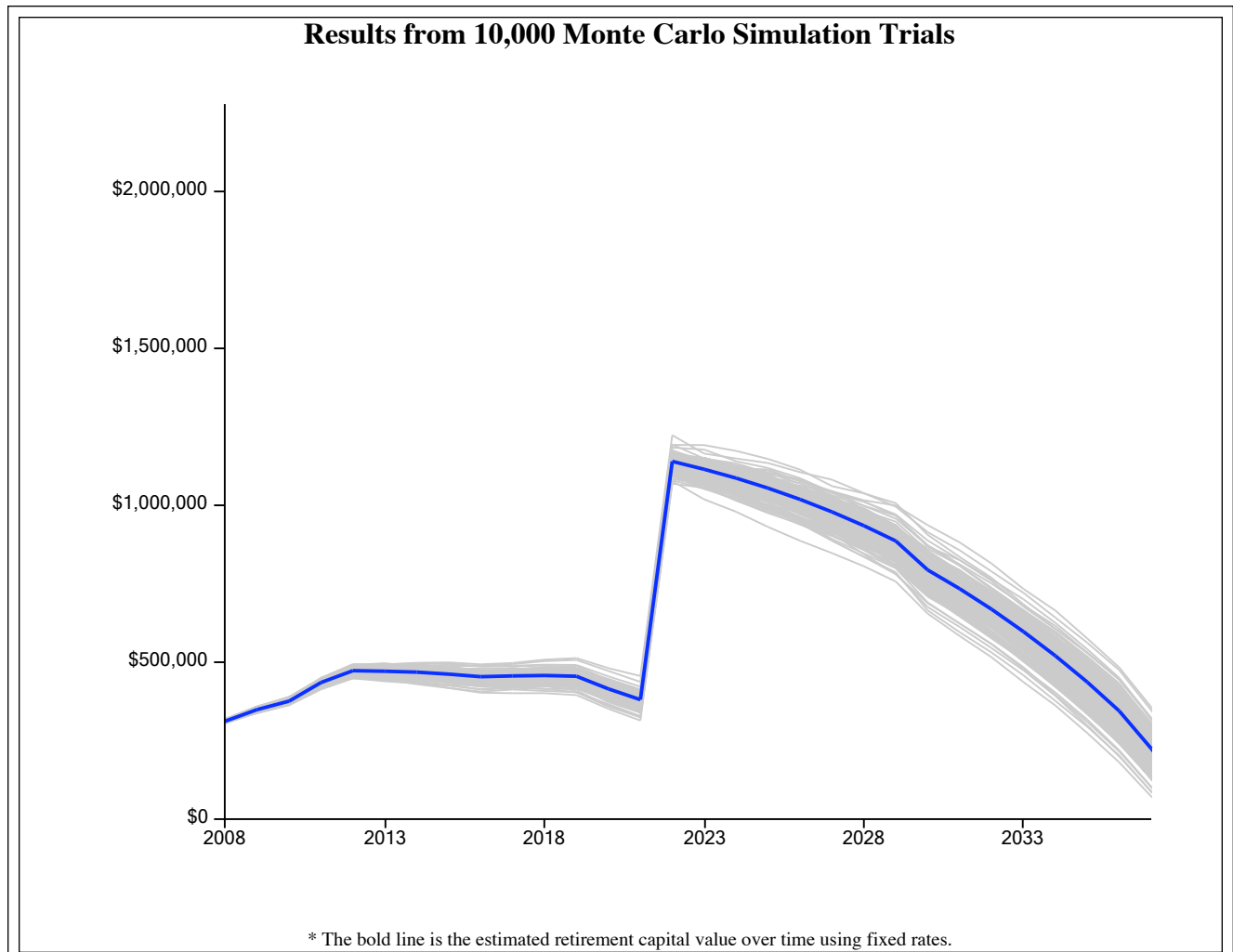
These results represent the percentage of Monte Carlo simulation outcomes that show positive retirement asset value remaining at different ages. A percentage above 70 at last life expectancy is an indication that the underlying retirement plan offers a substantial probability of success even under volatile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

Monte Carlo Simulation Minimum, Average and Maximum Dollar Results

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

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

Monte Carlo Retirement Simulation



This Monte Carlo Retirement Simulation illustrates possible variations in growth and/or depletion of retirement capital under unpredictable future conditions. The simulation introduces uncertainty by fluctuating annual rates of returns on assets. The graph and related calculations do not presuppose or analyze any particular investment or investment strategy. This long-term hypothetical model is used to help show potential effects of broad market volatility and the possible impact on your financial plans. This is not a projection, but an illustration of uncertainty.

The simulations begin in the current year and model potential asset level changes over time. Included are all capital assets, both tax advantaged and taxable, all expenses, including education funding if applicable, pension benefits, and Social Security benefits. Observing results from this large number of simulations may offer insight into the shape, trends, and potential range of future retirement plan outcomes under volatile market conditions.

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

Percent with funds at last life expectancy	97%	Retirement Capital Estimate	\$96,154
Percent with funds at age 78	100%	Minimum (Worst Case) result	\$0
Percent with funds at age 71	100%	Average Monte Carlo result	\$97,551
Percent with funds at age 63	100%	Maximum Monte Carlo result	\$261,654

Life insurance proceeds are not included in the final year balances of these calculations.
Illustration based on random rates of return which average 4.7%, with a std. dev. of 1% (95% of values fall between 2.7% and 6.7%).

IMPORTANT: The projections or other information generated in this report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each report and over time. Results of this simulation are neither guarantees nor projections of future performance. Information is for illustrative purposes only. Do not rely upon the results of this report to predict actual future performance of any investment or investment strategy.

Long-Term Care

Long-Term Care Defined

Long-term care is sustained medical or custodial care in a hospital, nursing facility, or equivalent care at home. This care meets the needs of people when, for some reason, they cannot care for themselves. Long-term care insurance provides coverage for costs when the need for care extends beyond a pre-determined period. Benefits start when certain conditions and time frames specified by a long-term care insurance policy are met.

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

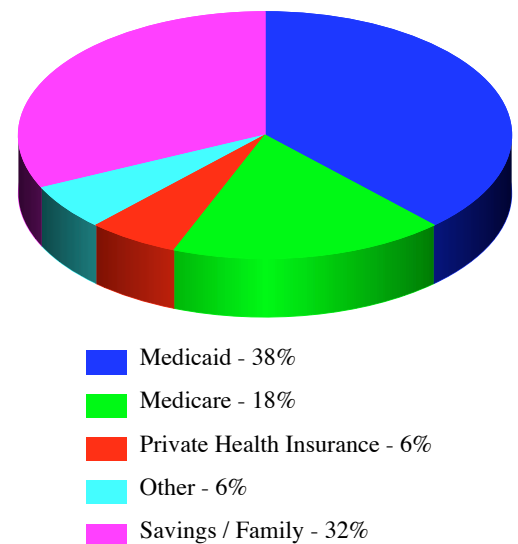
An inability to perform two or more Activities of Daily Living (or ADLs).	Activities of Daily Living (ADLs) are basic functions of daily independent living and includes: Dressing Toileting Bathing Transferring Eating Continence
Impaired Cognitive Ability	Loss of mental function can result from stroke, dementia or Alzheimer's Disease. Alzheimer's Disease is a disorder that progressively affects one's ability to carry out daily activities.

The Cost of Waiting to Plan

- 40% of all long-term care recipients are under the age of 65.
- Over 45% of seniors who reach age 65 will spend some time in a nursing home.
- Over 70% of seniors who reach age 65 will need some form of home health care in their lifetime.
- One out of every four families provides care to an elderly relative or loved one.
- 25% will stay in a Nursing Facility for more than one full year.
- The average nursing home stay is 2.5 years and the average Alzheimer's stay is 7 years.

Without benefits from long-term care insurance or a comparable plan, the cost of providing these services could devastate your lifetime savings, or a relative's life savings. On average, one year in a nursing home costs in the area of \$57,000 and can easily exceed \$100,000.

Depending on the care required, most of these expenses are paid for by the patient or their family. Medicare may contribute toward the first 100 days expenses in a skilled care facility. There are no Medicaid benefits available for intermediate term or custodial care, unless the state finds the patient to be impoverished under local guidelines. Even then, care options would be restricted to care facilities that accept the very limited benefit payments Medicaid offers.



Medicaid and Medicare Facts

- **Medicaid is a welfare program designed as an emergency safety net to pay health care costs of the poor.**
- **Medicare is part of Social Security, and helps pay for the general health care needs of retired persons.**
- **Medicare typically only pays for doctors, hospitals, and short recuperative stays in nursing facilities.**
- **Private health insurance is designed for medical (doctors, hospitals, etc) not long-term care expenses.**
- **Most people end up relying on their own or relatives resources to pay for long-term care expenses.**

Long-Term Care Need Analysis

Long-term care (LTC) requires long-term planning. LTC insurance is available to cover these expenses, protect your assets, your independence, and control the quality of the care you receive. You are able to choose the specified daily benefit level, as well as the types of medical and care services covered.

When is the best time to purchase LTC insurance? Generally, the premiums stay level once the policy is purchased, much like level term insurance. In practice, the earlier you buy a policy, the lower the premium. Since the odds of becoming disabled increase with age, purchasing coverage before the age of 55 is good planning. Consider the premium cost of several coverage levels to determine which is right for your budget.

Needs Estimate

These estimated long-term care cost examples are based upon your financial information. Consider the numbers here to be a starting point for analysis and discussion of your long-term care insurance needs.

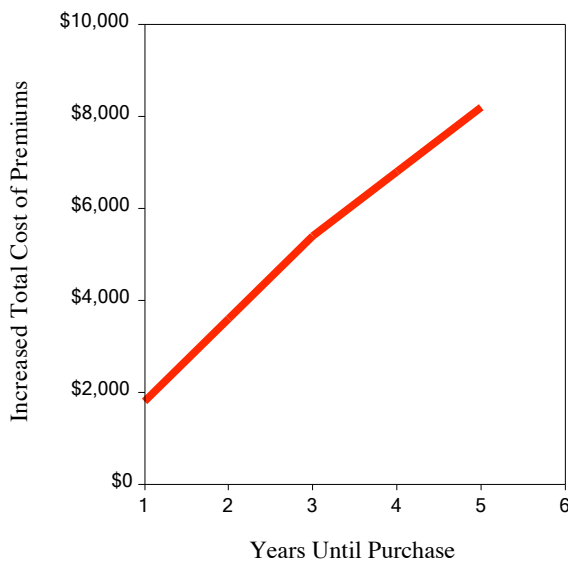
	<u>Lucy</u>
Estimated daily care cost	\$200
Estimated annual care costs	\$73,000
Estimated years of care	5
Assumed inflation rate	5%

Current financial assets exposed to potential long-term care expense risk : **\$280,320**

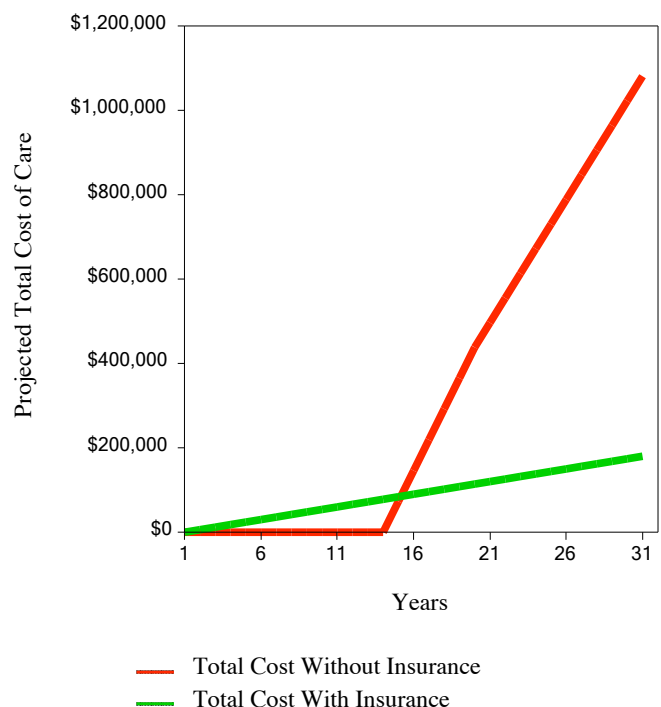
Depending on your age, a delay in arranging a Long-term care policy can mean substantially higher premiums. This graph illustrates the cost of waiting to purchase a Long-term care policy.

A Long-term care policy can stabilize and moderate the potentially damaging costs of nursing home care. This graph displays potential cost differential and value of having a Long-term insurance plan in place.

Cumulative Cost of Waiting to Purchase



Economic Impact of Long-Term Care



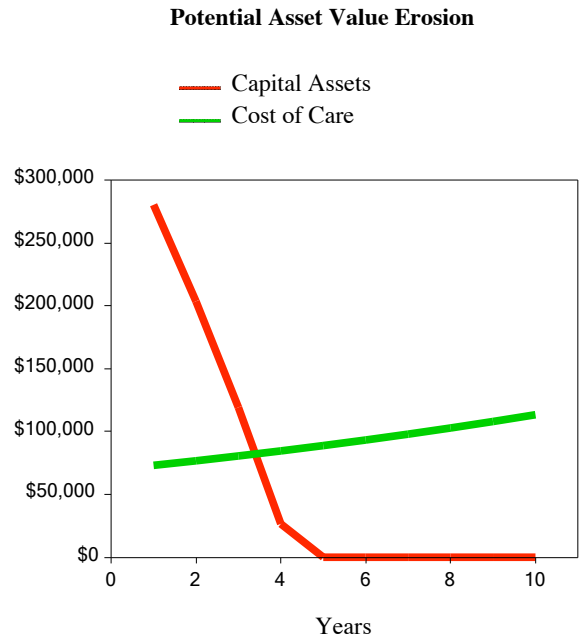
Long-Term Care Unprotected Need

This future long-term care needs chart displays the annual future amount of long-term care needed vs. your assets available. Total Long-Term Care Need is based upon average care requirements. Assets to Liquidate are your non-qualified working assets. Your Unprotected Need is estimated to be \$327,898 based upon these estimates:

Long-Term Care Need Calculation

Total Long-Term Care Need:	\$403,369
Assets to Liquidate:	\$75,471
Unprotected Need:	\$327,898

Favorable income tax treatment is available for policies meeting certain requirements. In those cases, premiums, with certain limitations, may be deducted as medical expenses for those who itemize their deductions.



Alternative Options to Long-Term Care Insurance

Self-Insurance

This alternative to purchasing LTC insurance is using your existing investments to pay for long-term care if needed. This would be appropriate if sufficient assets are available and the potential loss of those assets to heirs is acceptable. Of course this means that you are willing to liquidate your assets, and if you don't have sufficient funds, you transfer the financial burden to your loved ones. While this alternative may be more flexible, the LTC insurance would be more beneficial if the coverage is eventually needed.

Qualify for Medicaid

Medicaid was enacted to provide health care services for the impoverished. Recent legislation has made it extremely difficult for a person of modest means to qualify for Medicaid benefits by gifting or otherwise disposing of personal assets for less than fair market value.

Summary

Be aware that the potential loss of financial assets to pay for long-term care costs is due to increasing life expectancies and advances in medical treatment for the elderly. This presents a risk to your lifetime savings and financial future. LTC insurance is available at varying levels of coverage and corresponding premiums to meet these risks. LTC insurance can allow you to maintain your desired level of independence and preserve personal assets. However, premium costs will be a significant factor in your decision. Consider discussing your LTC insurance needs and options with an insurance specialist who can explain specific policy details. Fully understanding available options can help you find the best choice for you and your family's future.