- CONFIDENTIAL REPORT -

Prepared Especially For:

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- 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.

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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.

LIFE INSURANCE NEEDS REPORT EXPLANATION

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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 $1,660,000 worth of life insurance death benefits, if John were to pass away today. All assets diverted to meeting these needs would produce around $1,360,000.

So there is a current need for $300,000 more life insurance on John. Looking at it another way, liquidating current financial assets will fund around 12% of current needs.

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.

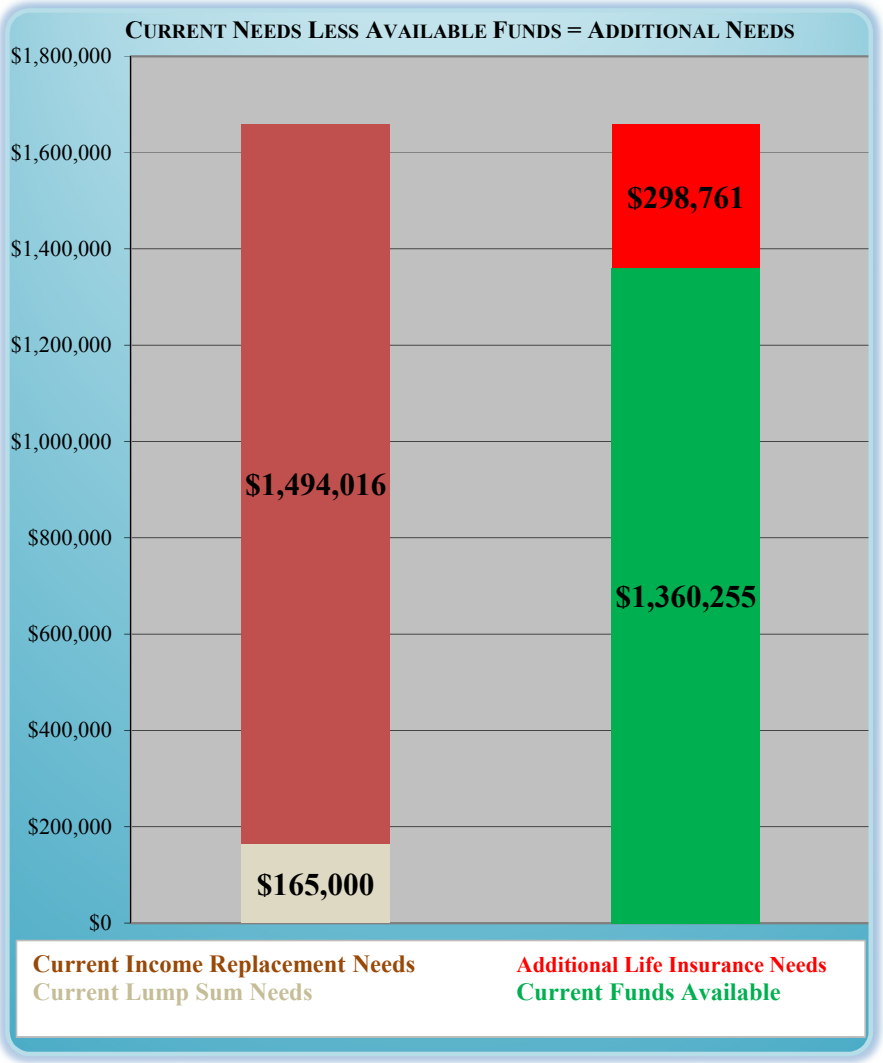
Hopefully, all of the charts and graphs will be self-explanatory. If not, then feel free to contact us for more information.

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.

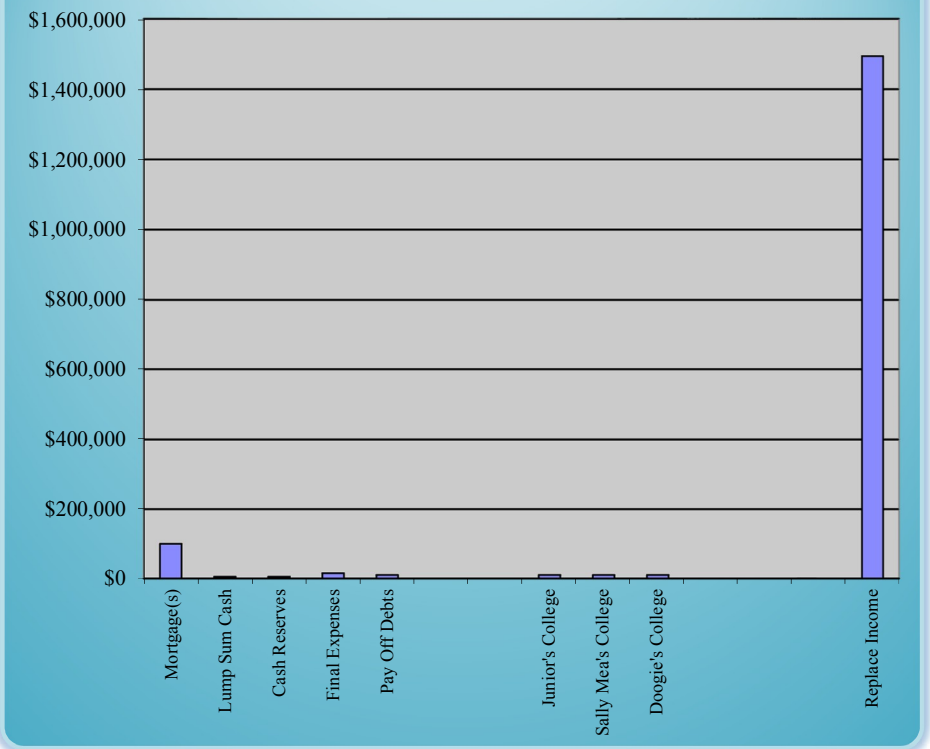
Current Life Insurance Needs Analysis

John & Mary Sample

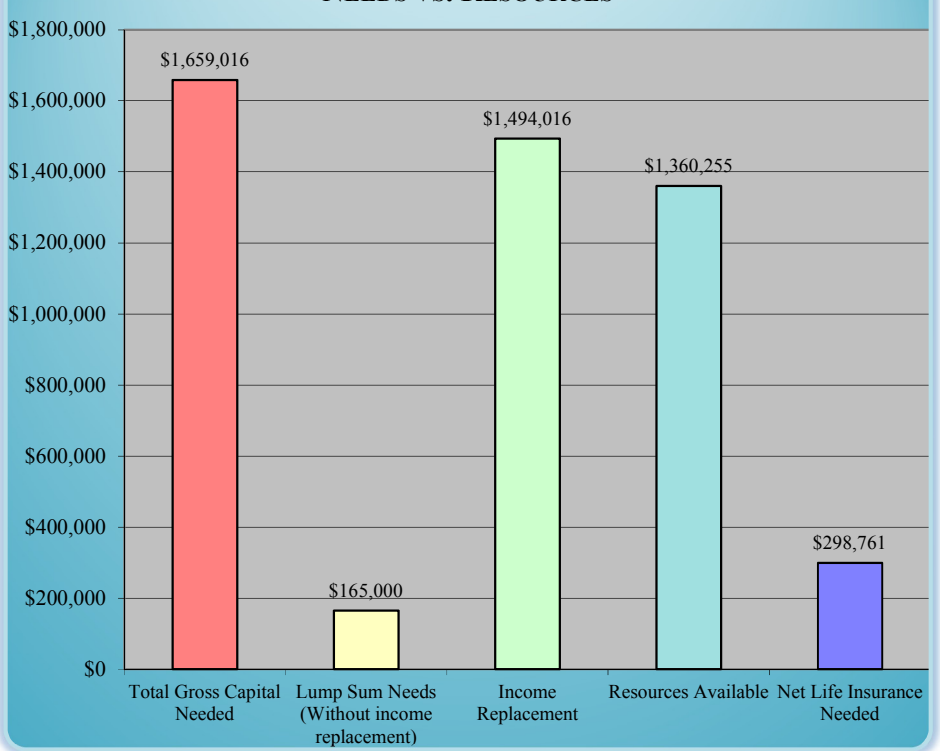
Lump Sum Needed Today to Pay Off Mortgage(s):	**$100,000**
Lump Sum Needed for Cash Reserve After Everything Else is Paid For:	**$5,000**
Lump Sum Immediate Cash Needs:	**$5,000**
Lump Sum Needed for Burial/Funeral/Medical and Other Final Expenses:	**$15,000**
Lump Sum Needed to Pay Off All Debts:	**$10,000**
Lump Sum Needed to Cover Estate Taxes:	**$0**
Lump Sum Amounts to Give Away to Others/Bequeaths/Charity:	**$0**
Lump Sum Amount to Fund Junior's College & Other Expenses:	**$10,000**
Lump Sum Amount to Fund Sally Mea's College & Other Expenses:	**$10,000**
Lump Sum Amount to Fund Doogie's College & Other Expenses:	**$10,000**
Total Gross Lump Sum Needed:	**$165,000**
Minus Lump Sums Currently Available:	**$1,360,255**
Net Lump Sum Still Needed:	**-$1,195,255**
Lump Sum Needed Today to Replace John's Future Income:	**$1,494,016**
Total Amount of Life Insurance Needed Today to Fund All Needs:	**$298,761**



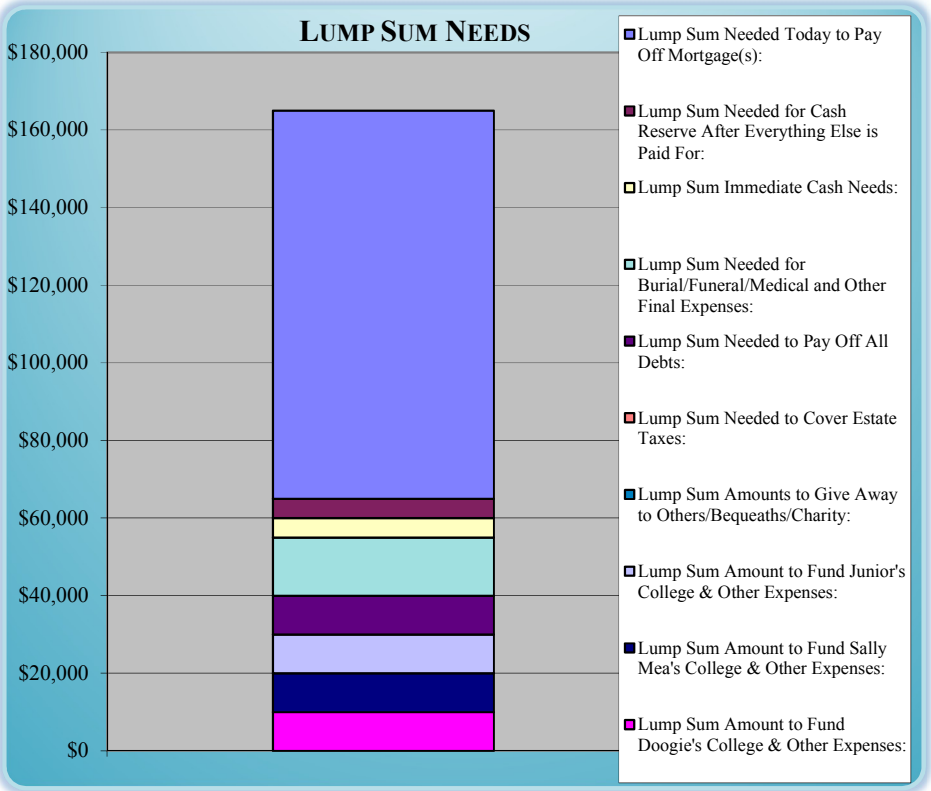
Gross Needs to Fund With Life Insurance



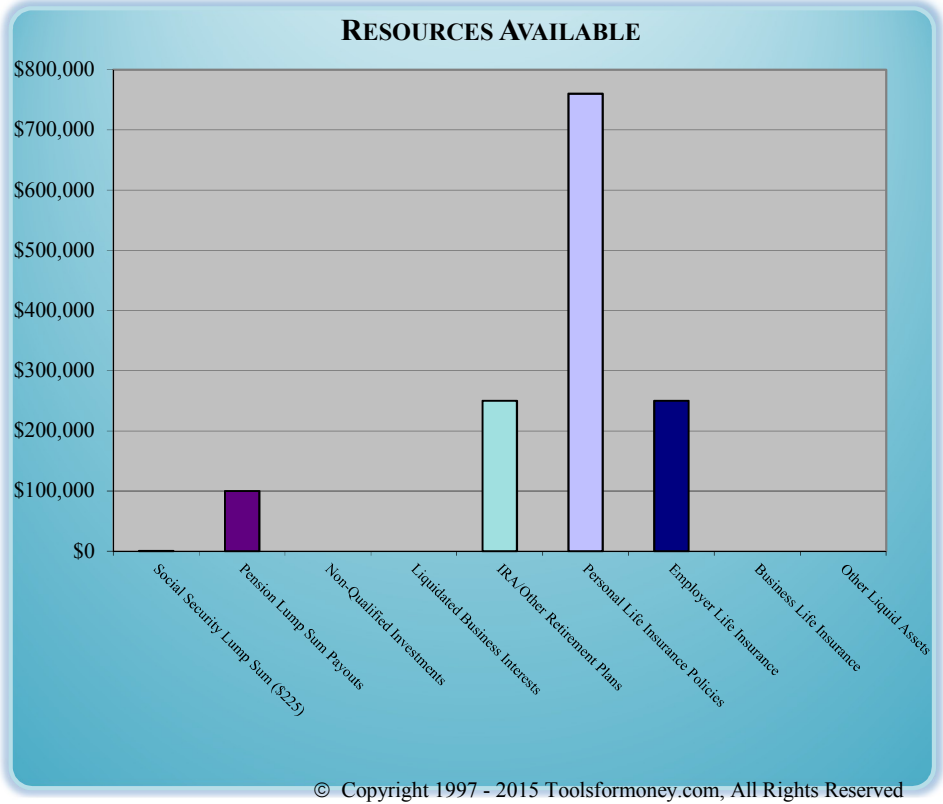
Needs vs. Resources



Lump Sum Needs



Resources Available



RETIREMENT PLANNING TUTORIAL

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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)

November 15, 2014

Annual Income Goals*		Current Age	Retirement Age	Income Goal Inflation
Combined Goal:	$90000	46	75	3.0%
		Life Expectancy:	82	

Overall Tax Rate: 15% **
SS Inclusion Rate: 0%***

* In today's dollars. Net, spendable dollars. Additional stand-alone expenses entered manually are not included in this figure.
** 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: 47.2%

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
$2,247,500		$8470	2.0%

Probability of Success Given All Assumptions: 3.3%

* 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:	**46**
Calculated Life Expectancy:	**82**
Inputted Life Expectancy:	**100**
Difference Between Calculated and Inputted Life Expectancy in Years:	**18**
Number of Years Until Retirement:	**29**
Number of Years Until Calculated Life Expectancy:	**36**
Number of Years Until Inputted Life Expectancy:	**54**
Number of Years of Retirement to Calculated Life Expectancy:	**7**
Number of Years of Retirement to Inputted Life Expectancy:	**26**
Number of Years of Retirement With Sufficient Capital:	**8**
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:	**30.8%**
Number of Years Until Depletion of Capital:	**36**
Number of Years of Retirement Until Depletion of Capital:	**8**
Number of Years of Retirement Without Capital Using Calculated Life Expectancy:	**0**
Number of Years of Retirement Without Capital Using Inputted Life Expectancy:	**18**
Percentage of Years in Retirement Without Capital Using Calculated Life Expectancy:	**0.0%**
Percentage of Years in Retirement Without Capital Using Inputted Life Expectancy:	**69.2%**

Financial Independence Analysis: Asset Summary*

Illustration for Current Plan (before recommendations)

Asset Name	Current 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
Investments	$200,000	100.0%	46	$12,000	46	49	1.0%	75	Flexible Asset**	7.0%	100.0%
Total:	*$200,000*			*Total:*	*$12,000*						

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.

Non-Asset Income Summary*

Source of Income	Annual Pretax Income	Beginning Age	Ending Age	Assumed Annual Inflation	Is this Income Taxable?
John's Social Security	$0	75	n/a	2.0%	No
Mary's Social Security	$30,000	65	n/a	2.0%	No

* All dollar amounts are in today's dollars (meaning no adjustment for inflation was made on this page).

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 (after tax & inflated)	Combined Annual After-Tax Misc. Income and/or Expense (-)	Combined Annual Social Security (after tax)	Combined Annual Earned Income (after tax)	Combined Annual Pension Income (after tax)	Combined Annual Asset Income (after tax)	Combined Annual Income Surplus or Deficit (-)	Percent of Annual Income Goal Being Met (47.1%)	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
46	36	15.0%	1	2015	$0	$0	$0	$0	$0	$0	$0	N/A	$226,800	7.0%	n/a	$0	$0
47	37	15.0%	2	2016	$0	$0	$0	$0	$0	$0	$0	N/A	$255,600	7.0%	12.7%	$0	$0
48	38	15.0%	3	2017	$0	$0	$0	$0	$0	$0	$0	N/A	$286,600	7.0%	12.1%	$0	$0
49	39	15.0%	4	2018	$0	$0	$0	$0	$0	$0	$0	N/A	$319,900	7.0%	11.6%	$0	$0
50	40	15.0%	5	2019	$0	$0	$0	$0	$0	$0	-$49,900	N/A	$288,800	7.0%	-9.7%	$0	$0
51	41	15.0%	6	2020	$0	$0	$0	$0	$0	$0	$0	N/A	$309,100	7.0%	7.0%	$0	$0
52	42	15.0%	7	2021	$0	$0	$0	$0	$0	$0	$0	N/A	$330,700	7.0%	7.0%	$0	$0
53	43	15.0%	8	2022	$0	$0	$0	$0	$0	$0	$0	N/A	$353,800	7.0%	7.0%	$0	$0
54	44	15.0%	9	2023	$0	$0	$0	$0	$0	$0	$0	N/A	$378,600	7.0%	7.0%	$0	$0
55	45	15.0%	10	2024	$0	$0	$0	$0	$0	$0	$0	N/A	$405,100	7.0%	7.0%	$0	$0
56	46	15.0%	11	2025	$0	$0	$0	$0	$0	$0	$0	N/A	$433,500	7.0%	7.0%	$0	$0
57	47	15.0%	12	2026	$0	$0	$0	$0	$0	$0	$0	N/A	$463,800	7.0%	7.0%	$0	$0
58	48	15.0%	13	2027	$0	$0	$0	$0	$0	$0	$0	N/A	$496,300	7.0%	7.0%	$0	$0
59	49	15.0%	14	2028	$0	$0	$0	$0	$0	$0	$0	N/A	$531,000	7.0%	7.0%	$0	$0
60	50	15.0%	15	2029	$0	$0	$0	$0	$0	$0	$0	N/A	$568,200	7.0%	7.0%	$0	$0
61	51	15.0%	16	2030	$0	$0	$0	$0	$0	$0	$0	N/A	$608,000	7.0%	7.0%	$0	$0
62	52	15.0%	17	2031	$0	$0	$0	$0	$0	$0	$0	N/A	$650,600	7.0%	7.0%	$0	$0
63	53	15.0%	18	2032	$0	$0	$0	$0	$0	$0	$0	N/A	$696,100	7.0%	7.0%	$0	$0
64	54	15.0%	19	2033	$0	$0	$0	$0	$0	$0	$0	N/A	$744,800	7.0%	7.0%	$0	$0
65	55	15.0%	20	2034	$0	$0	$0	$0	$0	$0	$0	N/A	$797,000	7.0%	7.0%	$0	$0
66	56	15.0%	21	2035	$0	$0	$0	$0	$0	$0	$0	N/A	$852,800	7.0%	7.0%	$0	$0
67	57	15.0%	22	2036	$0	$0	$0	$0	$0	$0	$0	N/A	$912,500	7.0%	7.0%	$0	$0
68	58	15.0%	23	2037	$0	$0	$0	$0	$0	$0	$0	N/A	$976,300	7.0%	7.0%	$0	$0
69	59	15.0%	24	2038	$0	$0	$0	$0	$0	$0	$0	N/A	$1,044,700	7.0%	7.0%	$0	$0
70	60	15.0%	25	2039	$0	$0	$0	$0	$0	$0	$0	N/A	$1,117,800	7.0%	7.0%	$0	$0
71	61	15.0%	26	2040	$0	$0	$0	$0	$0	$0	$0	N/A	$1,196,100	7.0%	7.0%	$0	$0
72	62	15.0%	27	2041	$0	$0	$0	$0	$0	$0	$0	N/A	$1,279,800	7.0%	7.0%	$0	$0
73	63	15.0%	28	2042	$0	$0	$0	$0	$0	$0	$0	N/A	$1,369,400	7.0%	7.0%	$0	$0
74	64	15.0%	29	2043	$0	$0	$0	$0	$0	$0	$0	N/A	$1,465,200	7.0%	7.0%	$0	$0
75	65	15.0%	30	2044	$218,400	$0	$53,200	$0	$0	$165,100	$0	100.0%	$1,359,900	7.0%	-7.2%	$0	$0
76	66	15.0%	31	2045	$225,000	$0	$54,300	$0	$0	$170,600	$0	100.0%	$1,240,200	7.0%	-8.8%	$0	$0
77	67	15.0%	32	2046	$231,700	$0	$55,400	$0	$0	$176,300	$0	100.0%	$1,105,100	7.0%	-10.9%	$0	$0
78	68	15.0%	33	2047	$238,700	$0	$56,500	$0	$0	$182,100	$0	100.0%	$953,100	7.0%	-13.8%	$0	$0

Financial Independence Analysis
Annual Summary Numbers, continued

John's Age	Mary's Age	Tax Rate	Year #	Year	Combined Annual Income Goal (inflated)	Combined Annual Misc. Income and/or Expense (-)	Combined Annual Social Security	Combined Annual Earned Income	Combined Annual Pension Income	Combined Annual Asset Income (after tax)	Combined Annual Income Surplus or Deficit (-)	Percent of Annual Income Goal Being Met (47.1%)	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
79	69	15.0%	34	2048	$245,800	$0	$57,600	$0	$0	$188,200	$0	100.0%	$782,900	7.0%	-17.9%	$0	$0
80	70	15.0%	35	2049	$253,200	$0	$58,800	$0	$0	$194,400	$0	100.0%	$593,000	7.0%	-24.3%	$0	$0
81	71	15.0%	36	2050	$260,800	$0	$59,900	$0	$0	$200,800	$0	100.0%	$381,700	7.0%	-35.6%	$0	$0
82	72	15.0%	37	2051	$268,600	$0	$61,100	$0	$0	$207,400	$0	100.0%	$147,200	7.0%	-61.4%	$0	$0
83	73	15.0%	38	2052	$276,700	$0	$62,400	$0	$0	$147,200	-$67,000	75.7%	$0	n/a	-100.0%	$56,000	$31,500
84	74	15.0%	39	2053	$285,000	$0	$63,600	$0	$0	$0	-$221,300	22.3%	$0	n/a	n/a	$237,600	$133,800
85	75	15.0%	40	2054	$293,500	$0	$64,900	$0	$0	$0	-$228,600	22.1%	$0	n/a	n/a	$421,500	$237,300
86	76	15.0%	41	2055	$302,300	$0	$66,200	$0	$0	$0	-$236,100	21.9%	$0	n/a	n/a	$607,700	$342,200
87	77	15.0%	42	2056	$311,400	$0	$67,500	$0	$0	$0	-$243,800	21.7%	$0	n/a	n/a	$796,200	$448,300
88	78	15.0%	43	2057	$320,800	$0	$68,900	$0	$0	$0	-$251,800	21.5%	$0	n/a	n/a	$987,100	$555,800
89	79	15.0%	44	2058	$330,400	$0	$70,200	$0	$0	$0	-$260,100	21.2%	$0	n/a	n/a	$1,180,400	$664,700
90	80	15.0%	45	2059	$340,300	$0	$71,700	$0	$0	$0	-$268,600	21.1%	$0	n/a	n/a	$1,376,100	$774,900
91	81	15.0%	46	2060	$350,500	$0	$73,100	$0	$0	$0	-$277,400	20.9%	$0	n/a	n/a	$1,574,200	$886,400
92	82	15.0%	47	2061	$361,000	$0	$74,500	$0	$0	$0	-$286,400	20.6%	$0	n/a	n/a	$1,774,800	$999,400
93	83	15.0%	48	2062	$371,900	$0	$76,000	$0	$0	$0	-$295,800	20.4%	$0	n/a	n/a	$1,977,800	$1,113,700
94	84	15.0%	49	2063	$383,000	$0	$77,600	$0	$0	$0	-$305,400	20.3%	$0	n/a	n/a	$2,183,400	$1,229,500
95	85	15.0%	50	2064	$394,500	$0	$79,100	$0	$0	$0	-$315,300	20.1%	$0	n/a	n/a	$2,391,500	$1,346,600
96	86	15.0%	51	2065	$406,300	$0	$80,700	$0	$0	$0	-$325,600	19.9%	$0	n/a	n/a	$2,602,100	$1,465,300
97	87	15.0%	52	2066	$418,500	$0	$82,300	$0	$0	$0	-$336,200	19.7%	$0	n/a	n/a	$2,815,300	$1,585,300
98	88	15.0%	53	2067	$431,100	$0	$84,000	$0	$0	$0	-$347,100	19.5%	$0	n/a	n/a	$3,031,100	$1,706,800
99	89	15.0%	54	2068	$444,000	$0	$85,600	$0	$0	$0	-$358,300	19.3%	$0	n/a	n/a	$3,249,600	$1,829,800
100	90	15.0%	55	2069	$457,300	$0	$87,400	$0	$0	$0	-$369,900	19.1%	$0	n/a	n/a	$3,470,700	$1,954,400

John & Mary Sample
Financial Independence Analysis

Illustration for Proposed Plan

November 15, 2014

Annual Income Goals*		Current Age	Retirement Age	Income Goal Inflation****
Combined Goal:	$90000	46	75	3.0%
		Life Expectancy:	82	

Overall Tax Rate: 20% **
SS Inclusion Rate: 0%***

* In today's dollars. Net, spendable dollars. Additional stand-alone expenses entered manually are not included in this figure.
** 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.
**** This number is the assumed average income goal inflation rate over the next 30 years. Income goal inflation is assumed to average 1% over the next 5 years, and 2% over the next 10 years. Over the next 11 years, and beyond, income goal inflation is assumed to average 3% .

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	2.0%

Probability of Success Given All Assumptions: 13.0%

* 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:	**46**
Calculated Life Expectancy:	**82**
Inputted Life Expectancy:	**100**
Difference Between Calculated and Inputted Life Expectancy in Years:	**18**
Number of Years Until Retirement:	**29**
Number of Years Until Calculated Life Expectancy:	**36**
Number of Years Until Inputted Life Expectancy:	**54**
Number of Years of Retirement to Calculated Life Expectancy:	**7**
Number of Years of Retirement to Inputted Life Expectancy:	**26**
Number of Years of Retirement With Sufficient Capital:	**26**
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:	**54**
Number of Years of Retirement Until Depletion of Capital:	**26**
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	Current 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
Investments	$200,000	40.2%	46	$9,000	46	65	1.0%	75	Flexible Asset**	7.0%	100.0%
Mary's Life Insurance Benefits	$297,035	59.8%	40	$0	n/a	n/a	n/a	65	Flexible Asset**	6.0%	0.0%
Total:	*$497,035*		*Total:*	*$9,000*							

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.

Non-Asset Income Summary*

Source of Income	Annual Pretax Income	Beginning Age	Ending Age	Assumed Annual Inflation	Is this Income Taxable?
John's Social Security	$0	75	n/a	2.0%	No
Mary's Social Security	$30,000	65	n/a	2.0%	No

* All dollar amounts are in today's dollars (meaning no adjustment for inflation was made on this page).

Financial Independence Analysis

Annual Summary Numbers

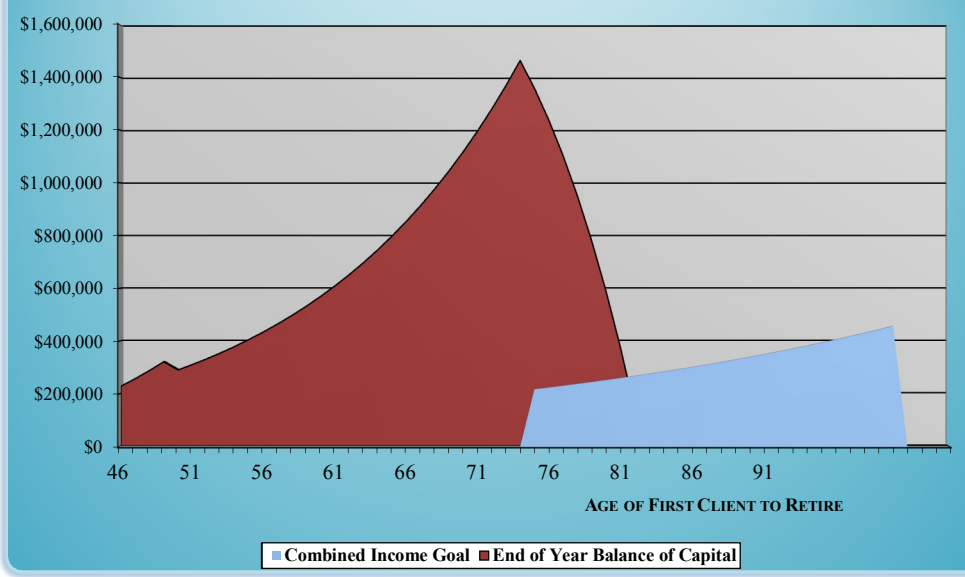
Illustration for Proposed Plan

John's Age	Mary's Age	Tax Rate	Year #	Year	Combined Annual Income Goal (after tax & inflated)	Combined Annual After-Tax Misc. Income and/or Expense (-)	Combined Annual Social Security (after tax)	Combined Annual Earned Income (after tax)	Combined Annual Pension Income (after tax)	Combined Annual Asset Income (after tax)	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
46	36	20.0%	1	2015	$0	$0	$0	$0	$0	$0	$0	N/A	$223,600	7.0%	n/a	$0	$0
47	37	20.0%	2	2016	$0	$0	$0	$0	$0	$0	$0	N/A	$249,000	7.0%	11.4%	$0	$0
48	38	20.0%	3	2017	$0	$0	$0	$0	$0	$0	$0	N/A	$276,200	7.0%	10.9%	$0	$0
49	39	20.0%	4	2018	$0	$0	$0	$0	$0	$0	$0	N/A	$305,500	7.0%	10.6%	$0	$0
50	40	20.0%	5	2019	$0	$0	$0	$0	$0	$0	-$49,900	N/A	$680,900	6.4%	122.9%	$0	$0
51	41	20.0%	6	2020	$0	$0	$0	$0	$0	$0	$0	N/A	$734,700	6.4%	7.9%	$0	$0
52	42	20.0%	7	2021	$0	$0	$0	$0	$0	$0	$0	N/A	$792,100	6.4%	7.8%	$0	$0
53	43	20.0%	8	2022	$0	$0	$0	$0	$0	$0	$0	N/A	$853,400	6.4%	7.7%	$0	$0
54	44	20.0%	9	2023	$0	$0	$0	$0	$0	$0	$0	N/A	$918,900	6.5%	7.7%	$0	$0
55	45	20.0%	10	2024	$0	$0	$0	$0	$0	$0	$0	N/A	$988,700	6.5%	7.6%	$0	$0
56	46	20.0%	11	2025	$0	$0	$0	$0	$0	$0	$0	N/A	$1,063,300	6.5%	7.5%	$0	$0
57	47	20.0%	12	2026	$0	$0	$0	$0	$0	$0	$0	N/A	$1,142,800	6.5%	7.5%	$0	$0
58	48	20.0%	13	2027	$0	$0	$0	$0	$0	$0	$0	N/A	$1,227,700	6.5%	7.4%	$0	$0
59	49	20.0%	14	2028	$0	$0	$0	$0	$0	$0	$0	N/A	$1,318,200	6.5%	7.4%	$0	$0
60	50	20.0%	15	2029	$0	$0	$0	$0	$0	$0	$0	N/A	$1,414,900	6.5%	7.3%	$0	$0
61	51	20.0%	16	2030	$0	$0	$0	$0	$0	$0	$0	N/A	$1,518,000	6.5%	7.3%	$0	$0
62	52	20.0%	17	2031	$0	$0	$0	$0	$0	$0	$0	N/A	$1,628,000	6.5%	7.2%	$0	$0
63	53	20.0%	18	2032	$0	$0	$0	$0	$0	$0	$0	N/A	$1,745,300	6.5%	7.2%	$0	$0
64	54	20.0%	19	2033	$0	$0	$0	$0	$0	$0	$0	N/A	$1,870,600	6.5%	7.2%	$0	$0
65	55	20.0%	20	2034	$0	$0	$0	$0	$0	$0	$0	N/A	$2,004,200	6.5%	7.1%	$0	$0
66	56	20.0%	21	2035	$0	$0	$0	$0	$0	$0	$0	N/A	$2,134,900	6.5%	6.5%	$0	$0
67	57	20.0%	22	2036	$0	$0	$0	$0	$0	$0	$0	N/A	$2,274,300	6.5%	6.5%	$0	$0
68	58	20.0%	23	2037	$0	$0	$0	$0	$0	$0	$0	N/A	$2,422,800	6.5%	6.5%	$0	$0
69	59	20.0%	24	2038	$0	$0	$0	$0	$0	$0	$0	N/A	$2,581,000	6.5%	6.5%	$0	$0
70	60	20.0%	25	2039	$0	$0	$0	$0	$0	$0	$0	N/A	$2,749,700	6.5%	6.5%	$0	$0
71	61	20.0%	26	2040	$0	$0	$0	$0	$0	$0	$0	N/A	$2,929,400	6.5%	6.5%	$0	$0
72	62	20.0%	27	2041	$0	$0	$0	$0	$0	$0	$0	N/A	$3,121,000	6.5%	6.5%	$0	$0
73	63	20.0%	28	2042	$0	$0	$0	$0	$0	$0	$0	N/A	$3,325,100	6.5%	6.5%	$0	$0
74	64	20.0%	29	2043	$0	$0	$0	$0	$0	$0	$0	N/A	$3,542,700	6.5%	6.5%	$0	$0
75	65	20.0%	30	2044	$218,400	$0	$53,200	$0	$0	$165,100	$0	100.0%	$3,574,500	6.5%	0.9%	$0	$0
76	66	20.0%	31	2045	$225,000	$0	$54,300	$0	$0	$170,600	$0	100.0%	$3,601,700	6.5%	0.8%	$0	$0
77	67	20.0%	32	2046	$231,700	$0	$55,400	$0	$0	$176,300	$0	100.0%	$3,623,900	6.5%	0.6%	$0	$0
78	68	20.0%	33	2047	$238,700	$0	$56,500	$0	$0	$182,100	$0	100.0%	$3,640,400	6.5%	0.5%	$0	$0

Financial Independence Analysis
Annual Summary Numbers, continued

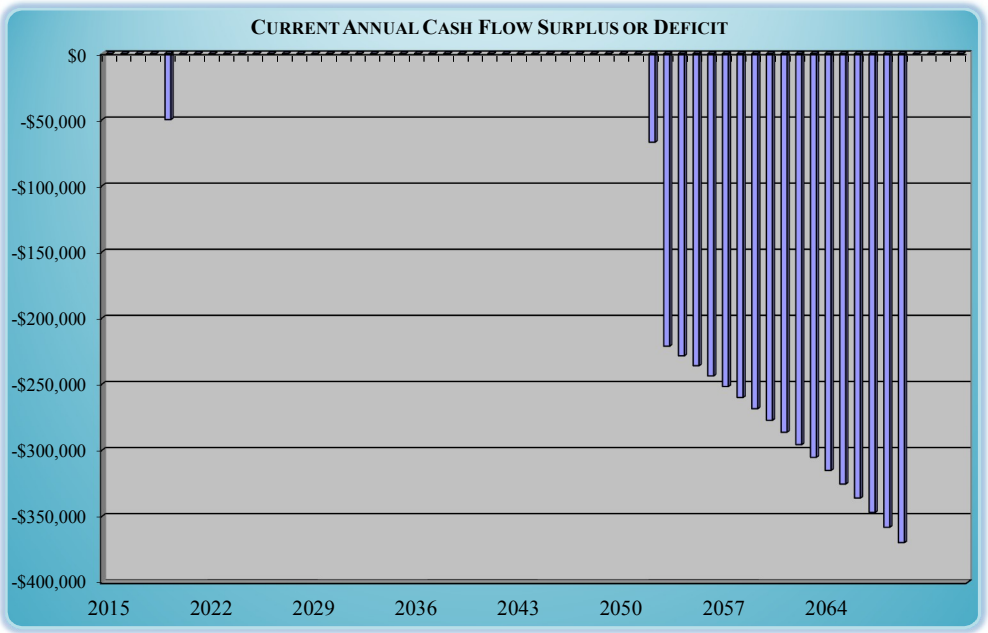
John's Age	Mary's Age	Tax Rate	Year #	Year	Combined Annual Income Goal (inflated)	Combined Annual Misc. Income and/or Expense (-)	Combined Annual Social Security	Combined Annual Earned Income	Combined Annual Pension Income	Combined Annual Asset Income (after tax)	Combined Annual Income Surplus or Deficit (-)	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
79	69	20.0%	34	2048	$245,800	$0	$57,600	$0	$0	$188,200	$0	100.0%	$3,650,800	6.5%	0.3%	$0	$0
80	70	20.0%	35	2049	$253,200	$0	$58,800	$0	$0	$194,400	$0	100.0%	$3,654,300	6.5%	0.1%	$0	$0
81	71	20.0%	36	2050	$260,800	$0	$59,900	$0	$0	$200,800	$0	100.0%	$3,650,300	6.5%	-0.1%	$0	$0
82	72	20.0%	37	2051	$268,600	$0	$61,100	$0	$0	$207,400	$0	100.0%	$3,638,000	6.5%	-0.3%	$0	$0
83	73	20.0%	38	2052	$276,700	$0	$62,400	$0	$0	$214,300	$0	100.0%	$3,616,700	6.5%	-0.6%	$0	$0
84	74	20.0%	39	2053	$285,000	$0	$63,600	$0	$0	$221,300	$0	100.0%	$3,585,600	6.5%	-0.9%	$0	$0
85	75	20.0%	40	2054	$293,500	$0	$64,900	$0	$0	$228,600	$0	100.0%	$3,543,600	6.5%	-1.2%	$0	$0
86	76	20.0%	41	2055	$302,300	$0	$66,200	$0	$0	$236,100	$0	100.0%	$3,489,900	6.5%	-1.5%	$0	$0
87	77	20.0%	42	2056	$311,400	$0	$67,500	$0	$0	$243,800	$0	100.0%	$3,423,400	6.5%	-1.9%	$0	$0
88	78	20.0%	43	2057	$320,800	$0	$68,900	$0	$0	$251,800	$0	100.0%	$3,343,000	6.5%	-2.3%	$0	$0
89	79	20.0%	44	2058	$330,400	$0	$70,200	$0	$0	$260,100	$0	100.0%	$3,247,500	6.5%	-2.9%	$0	$0
90	80	20.0%	45	2059	$340,300	$0	$71,700	$0	$0	$268,600	$0	100.0%	$3,135,600	6.5%	-3.4%	$0	$0
91	81	20.0%	46	2060	$350,500	$0	$73,100	$0	$0	$277,400	$0	100.0%	$3,006,000	6.5%	-4.1%	$0	$0
92	82	20.0%	47	2061	$361,000	$0	$74,500	$0	$0	$286,400	$0	100.0%	$2,857,300	6.5%	-4.9%	$0	$0
93	83	20.0%	48	2062	$371,900	$0	$76,000	$0	$0	$295,800	$0	100.0%	$2,687,900	6.5%	-5.9%	$0	$0
94	84	20.0%	49	2063	$383,000	$0	$77,600	$0	$0	$305,400	$0	100.0%	$2,496,100	6.5%	-7.1%	$0	$0
95	85	20.0%	50	2064	$394,500	$0	$79,100	$0	$0	$315,300	$0	100.0%	$2,280,300	6.5%	-8.6%	$0	$0
96	86	20.0%	51	2065	$406,300	$0	$80,700	$0	$0	$325,600	$0	100.0%	$2,038,700	6.5%	-10.6%	$0	$0
97	87	20.0%	52	2066	$418,500	$0	$82,300	$0	$0	$336,200	$0	100.0%	$1,769,300	6.5%	-13.2%	$0	$0
98	88	20.0%	53	2067	$431,100	$0	$84,000	$0	$0	$347,100	$0	100.0%	$1,470,200	6.5%	-16.9%	$0	$0
99	89	20.0%	54	2068	$444,000	$0	$85,600	$0	$0	$358,300	$0	100.0%	$1,139,500	6.4%	-22.5%	$0	$0
100	90	20.0%	55	2069	$457,300	$0	$87,400	$0	$0	$369,900	$0	100.0%	$775,300	6.4%	-32.0%	$0	$0

Current Income Producing Capital vs. Inflated Annual Income Goals

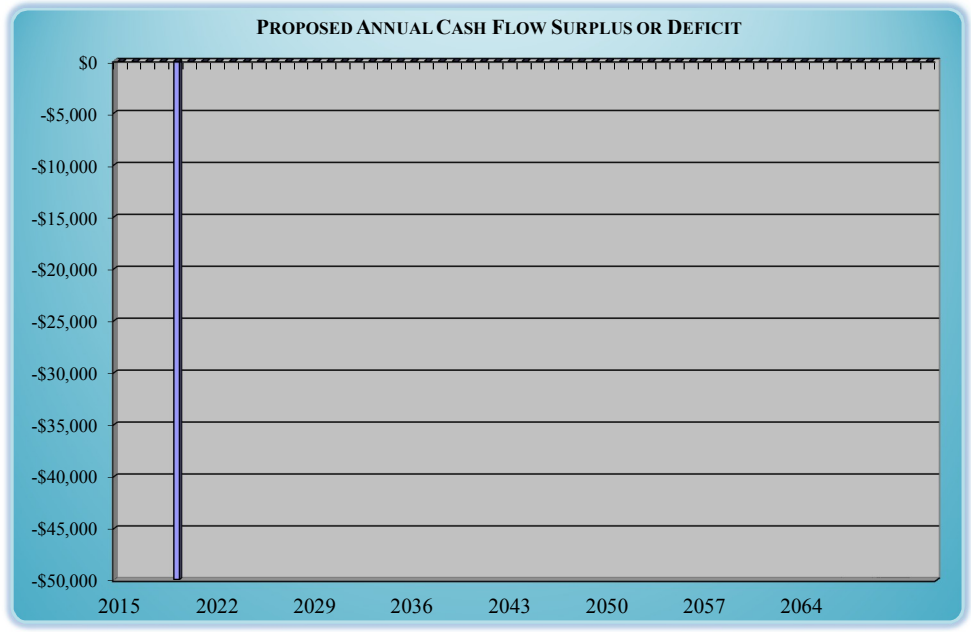


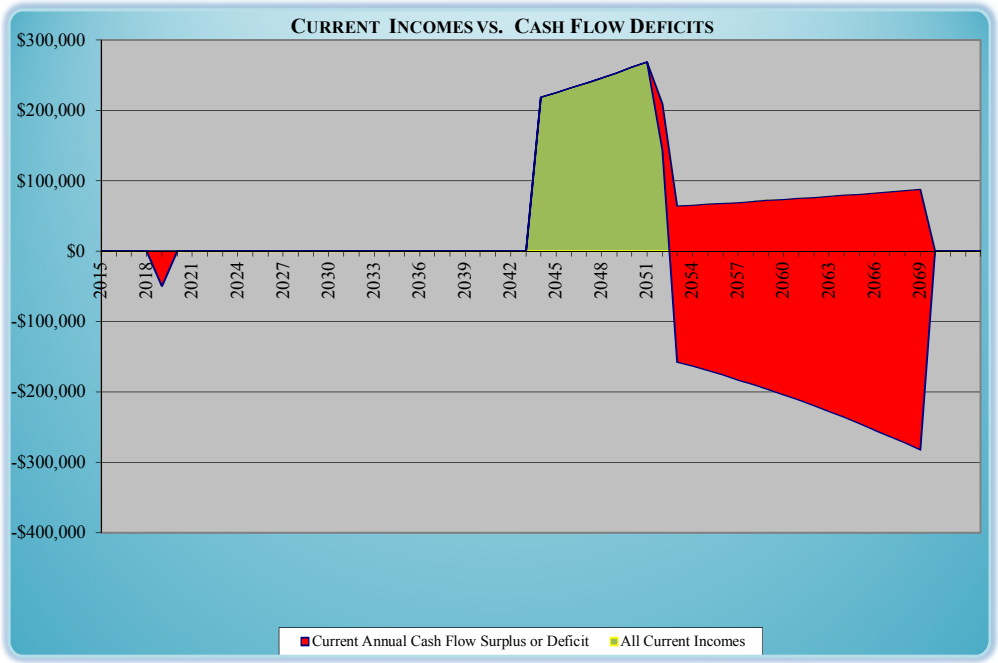
Proposed Income Producing Capital vs. Inflated Annual Income Goals

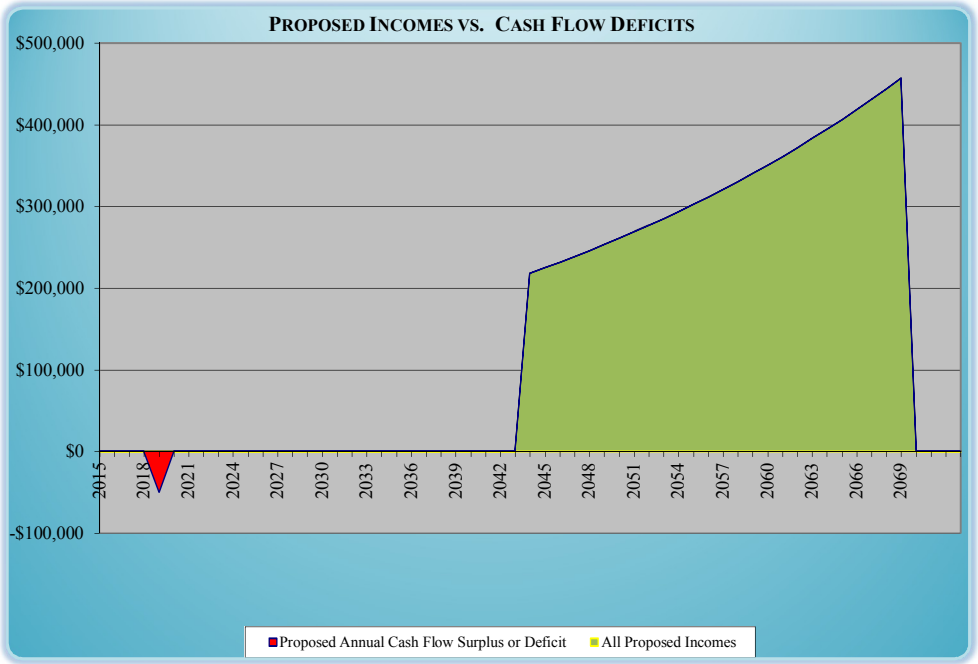
Current Annual Cash Flow Surplus or Deficit

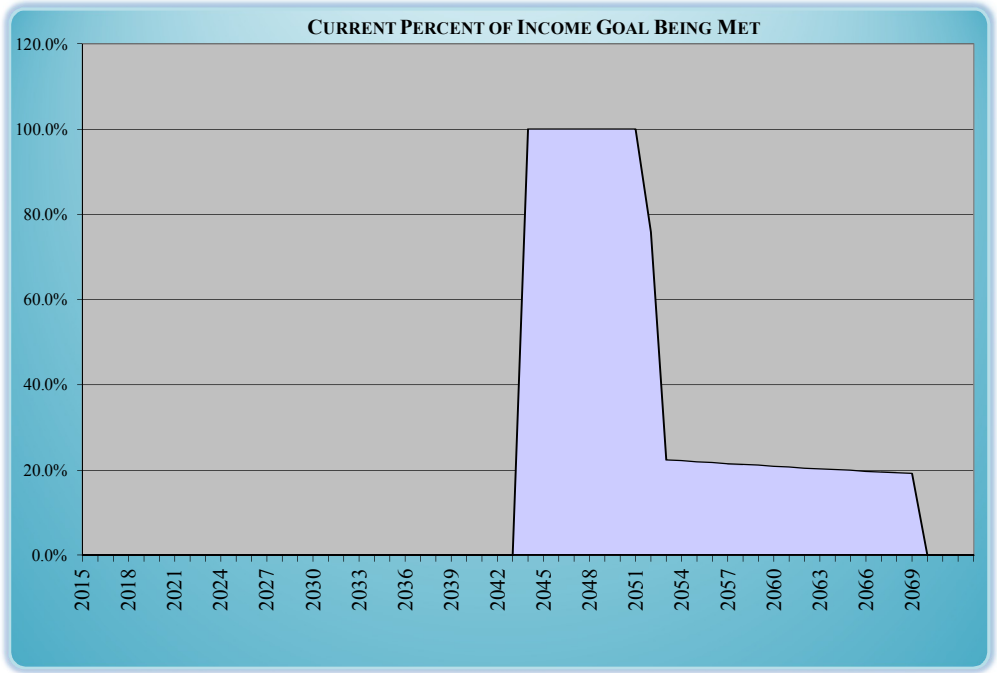


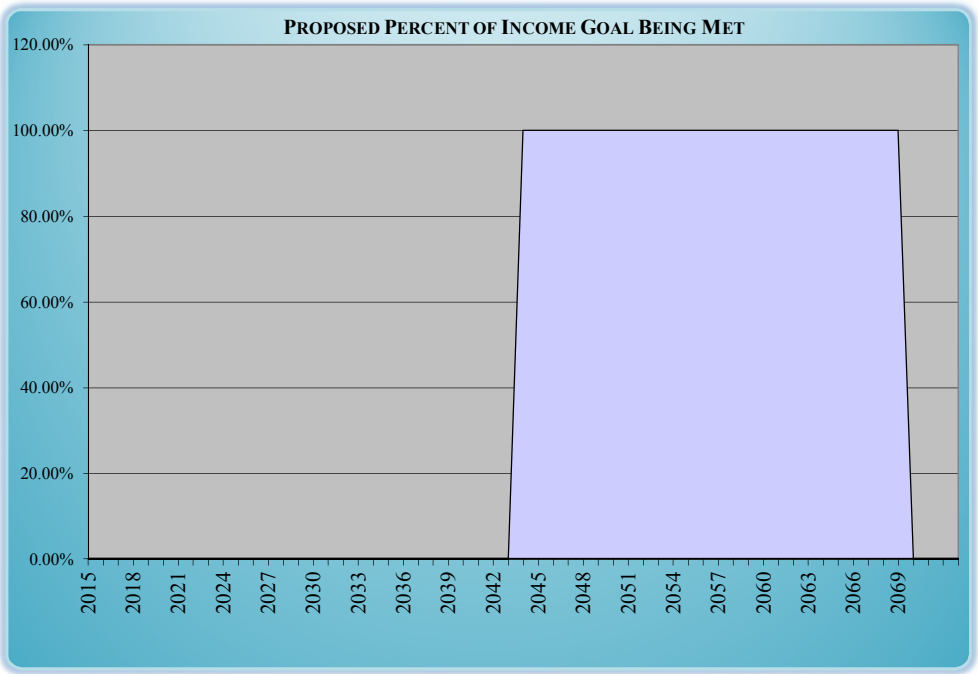
Proposed Annual Cash Flow Surplus or Deficit



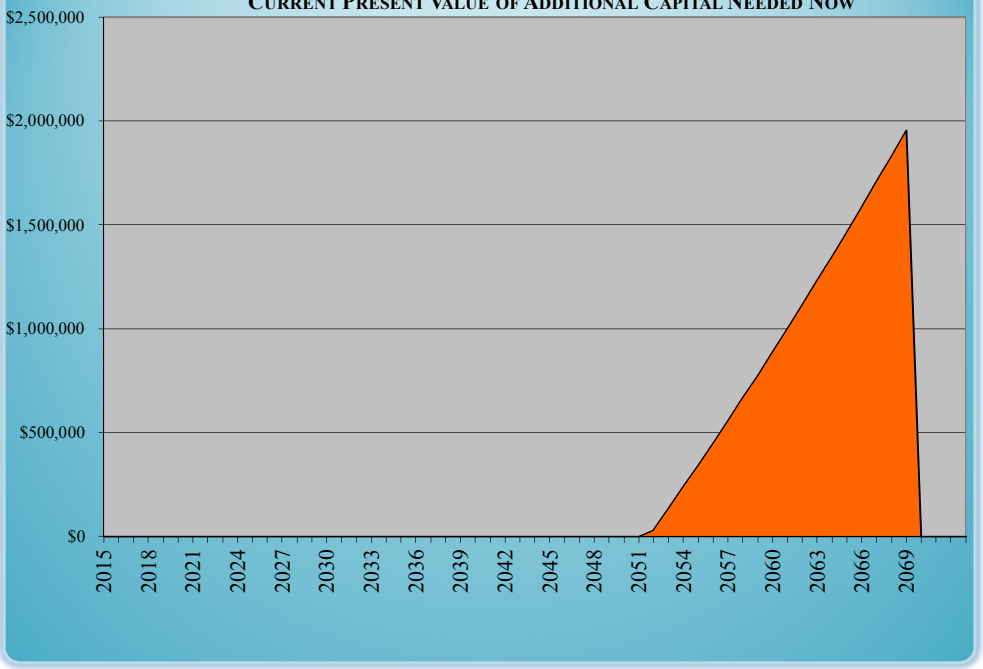




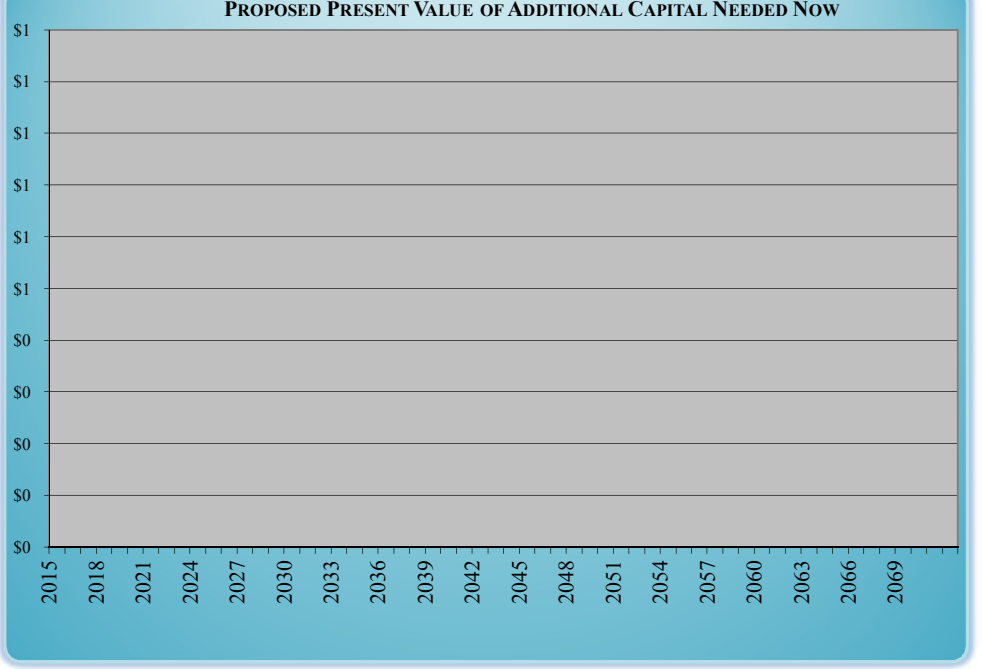




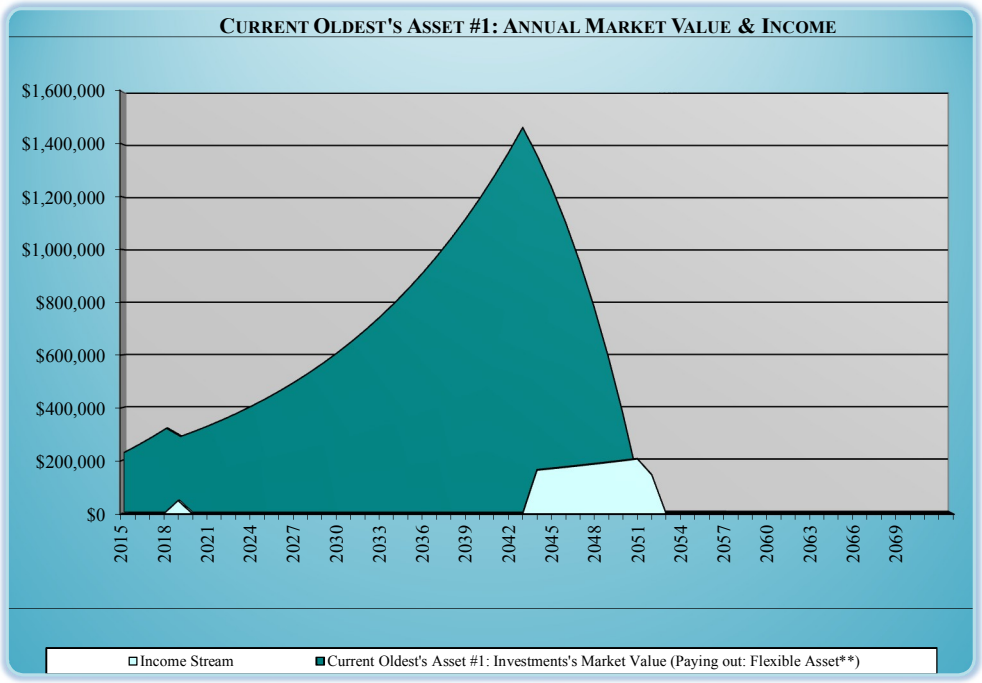
Current Present Value of Additional Capital Needed Now



Proposed Present Value of Additional Capital Needed Now



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



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