Asset Allocation Report

Carl and Louise Sample-Retired
Ridgefield, Connecticut

PREPARED BY:
JANET LERNER, CFP - LERNER, STEVENSON & ASSOCIATES
JULY 27, 2011

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Client Information

Family Information

Client	
Name	**Carl Sample-Retired**
Date of Birth	Oct 1 1951
Gender	Male
Address	123 Orchard Street
	Ridgefield, Connecticut 12345
	United States
Citizenship	United States
Name	**Louise Sample-Retired**
Date of Birth	Sep 15 1953
Gender	Female
Address	123 Orchard Street
	Ridgefield, Connecticut 12345
	United States
Citizenship	United States

Extended Family Information

Dependents	
Name	**Tanya Smith**
Date of Birth	Mar 31 1970
Gender	Female
Address	233 Bergman Cresent
	Marigold, Connecticut 45644
	United States
Citizenship	United States
Name	**Richard Green**
Date of Birth	Jun 8 1971
Gender	Male
Address	7478 Watt St
	Marigold, Connecticut 69874
	United States
Citizenship	United States

Grandchildren	
Name	**Jenny Green**
Date of Birth	Apr 28 2002
Gender	Female
Address	7478 Watt St
	Marigold, Connecticut 69874
	United States
Citizenship	United States

Professional Advisors

Type	Name	Business Phone #	Cell Phone #
Advisor	Janet Lerner	555-1234	895-4545

Asset Allocation Overview

What is Asset Allocation?

Asset allocation is the process of aligning your risk tolerances, financial objectives, and investment time horizon to your investment portfolio. Selecting different asset types (commonly known as asset classes) may reduce the risk of your overall investment portfolio.

The three most common asset types (classes) are as follows:

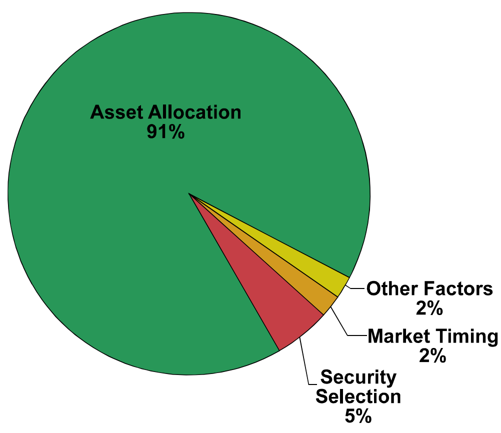
- Cash or short-term investments (savings accounts, money market accounts, etc.)
- Fixed Income investments (CDs, bonds, etc.)
- Equities (domestic and foreign stock, etc.)

Each of these three asset classes can be further subdivided. For example, equities may be broken down by size (small, medium or large capitalized companies), different sectors of the economy (technology, financial services, etc.) or be divided geographically (US, Europe, Asia, etc.).

The decision of how to allocate your investments depends on a number of factors including your investment objectives, time horizon, attitudes toward acceptable risk, desired return and tax bracket.

The basic premise of asset allocation is that by diversifying your investments over a number of different assets and asset classes, you can help reduce the risk of the entire portfolio while maintaining your desired long-term return rate expectations. Over the long term, an appropriate asset allocation (what to buy) is more important than when to buy. Generally, a decline in one asset class can be offset by an increase in another. Your choice of individual investments can also help reduce the risk of your portfolio. For example, if you diversify within each asset class and choose a number of stocks across different industries, your technology stock may be declining while your financial services stock may be rising. This strategy can also help reduce overall portfolio risk as opposed to investing all of your stocks in a single company or sector of the economy.

Studies have shown selection of a portfolio's asset allocation can be responsible for over 90% of a portfolio's performance with the remaining portion comprised of market timing, security selection, and other factors.



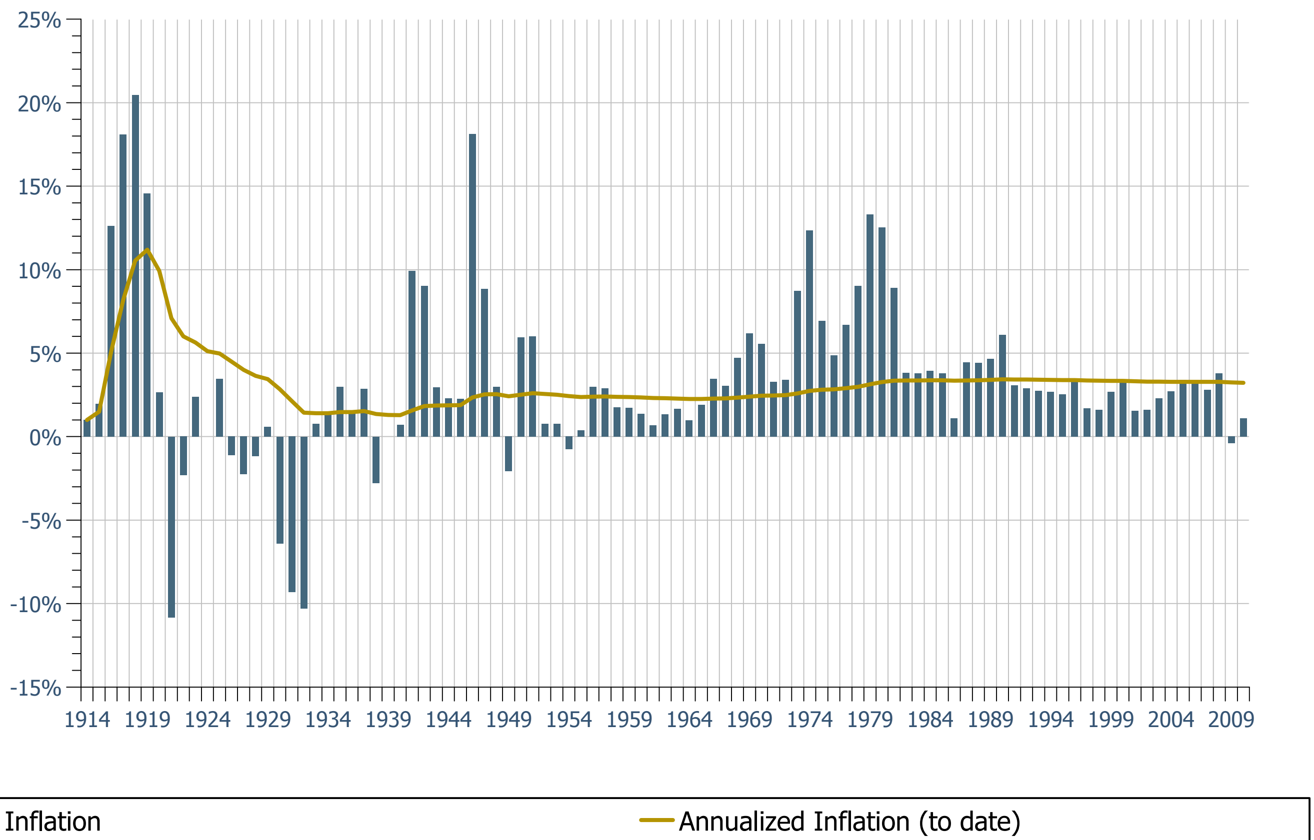
Source: Brinson, Hood and Beebower, "Determinants of Portfolio Performance," Financial Analyst Journal, May-June 1991.

Higher risk and higher potential return?

Your overall comfort level with risk should be a major factor in choosing appropriate investments. It is important to consider that generally, achieving a higher rate of return requires accepting a higher level of risk. Higher risk investments are generally appropriate for clients with more aggressive risk profiles and longer investment time horizons. If your financial objective is many years away (retirement, for example) your investments may withstand the ups and downs of the market. If your goal is only a few years away (such as the purchase of a new car), your investment may decline during the period you wish to redeem the investments. Generally, as your financial goal approaches, you should reduce the risk of your investments by reallocating to a less aggressive asset mix.

Why should you consider inflation?

When planning for an accumulation goal, (retirement, education, or a major purchase) consider the effect of inflation on the eventual cost of the item. If inflation is not considered, savings may fall short of your goal. For example, an item that costs $1,000 today will cost $1,344 in 10 years, assuming a 3% inflation rate. The graph below shows actual inflation rates for the past 97 years and the average annual rate of inflation from 1914 to 2010 is 3.22%.



Inflation History data obtained from the U.S. Department of Labor. Inflation rates are based on the Consumer Price Index.

Risk Tolerance Analysis

Risk Tolerance Analysis results:

Portfolio	Investment Profile	Time Horizon
Entire Portfolio	Moderate	Long

Different investors have different risk tolerances. Much of the difference stems from time horizon. That is, someone with a short investment time horizon is less able to withstand losses. The remainder of the difference is attributable to the individual's appetite for risk. Volatility can be nerve-wracking for many people and they are more comfortable when they can avoid it. However, there is a definite relationship between risk and return. Investors need to recognize this risk/return trade-off. The following risk tolerance questionnaire has been designed to measure an individual's ability (time horizon) and willingness (risk tolerance) to accept uncertainties in their investment's performance. The total score recommends which of the five risk profiles is most appropriate for the investor.

1. When do you expect to begin withdrawing money from your investment account?

Portfolio	Less than 1 year	1 to 2 years	3 to 4 years	5 to 7 years	8 to 10 years	11 years or more
Entire Portfolio			X			

2. Once you begin withdrawing money from your investment account, how long do you expect the withdrawals to last?

Portfolio	I plan to take a lump sum distribution	1 to 4 years	5 to 7 years	8 to 10 years	11 years or more
Entire Portfolio					X

3. Inflation, the rise in prices over time, can erode your investment return. Long-term investors should be aware that, if portfolio returns are less than the inflation rate, their ability to purchase goods and services in the future might actually **decline**. However, portfolios with long-term returns that significantly exceed inflation are associated with a higher degree of risk.

Which of the following portfolios is most consistent with your investment philosophy?

a) **Portfolio 1** will most likely exceed long-term inflation by a significant margin and has a high degree of risk.

b) **Portfolio 2** will most likely exceed long-term inflation by a moderate margin and has a high to moderate degree of risk.

c) **Portfolio 3** will most likely exceed long-term inflation by a small margin and has a moderate degree of risk.

d) **Portfolio 4** will most likely match long-term inflation and has a low degree of risk.

Portfolio	Option a	Option b	Option c	Option d
Entire Portfolio			X	

4. Portfolios with the highest average returns also tend to have the highest chance of short-term losses. The table below provides the average dollar return of four hypothetical investments of $100,000 and the possibility of losing money (ending value of less than $100,000) over a **one-year holding period.** Please select the portfolio with which you are most comfortable.

Probabilities After 1 Year		
	Possible Average Value at the End of One Year	Chance of Losing Money at the End of One Year
a. Portfolio A	$105,000	**24%**
b. Portfolio B	$107,000	**27%**
c. Portfolio C	$108,000	**29%**
d. Portfolio D	$110,000	**31%**

Portfolio	Option a	Option b	Option c	Option d
Entire Portfolio		X		

5. Investing involves a trade-off between risk and return. Historically, investors who have received high long-term average returns have experienced greater fluctuations in the value of their portfolio and more frequent short-term losses than investors in more conservative investments have. Considering the above, which statement best describes your investment goals?

a) **Protect the value of my account.** In order to minimize the chance for loss, I am willing to accept the lower long-term returns provided by conservative investments.

b) **Keep risk to a minimum** while trying to achieve slightly higher returns than the returns provided by investments that are more conservative.

c) **Balance** moderate levels of risk with moderate levels of returns.

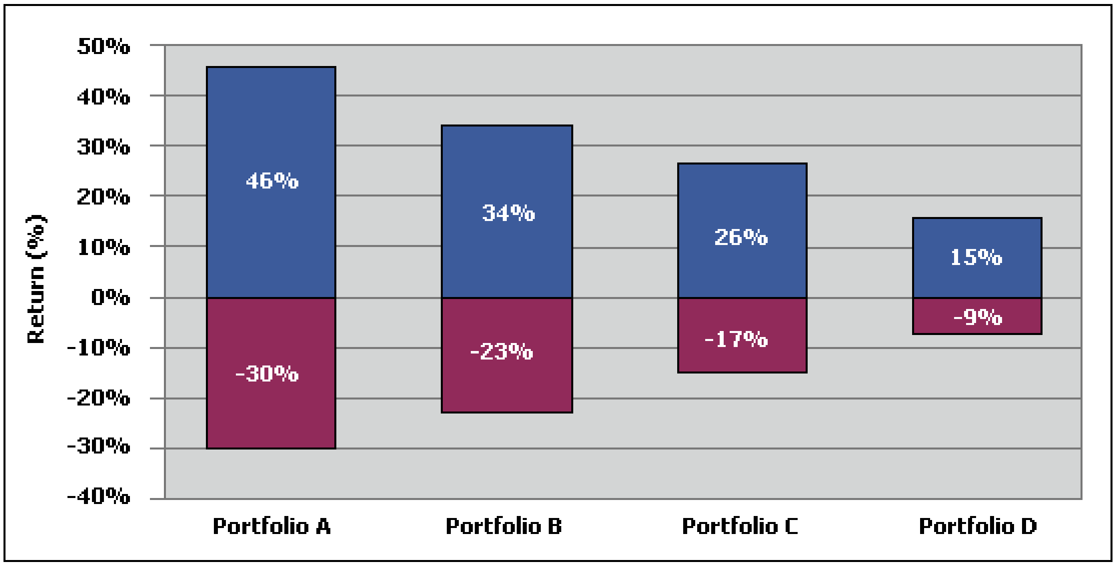
d) **Maximize long-term investment returns.** I am willing to accept large and sometimes dramatic fluctuations in the value of my investments.

Portfolio	Statement a	Statement b	Statement c	Statement d
Entire Portfolio			X	

6. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20% (i.e. $1,000 initial investment would now be worth $800) over a short period, consistent with the overall market. Assuming you still have 10 years until you begin withdrawals, how would you react?

Portfolio	I would not change my portfolio	I would wait at least one year before changing to options that are more conservative	I would wait at least three months before changing to options that are more conservative	I would immediately change to options that are more conservative
Entire Portfolio		X		

7. The following graph shows the hypothetical results of four sample portfolios over a one-year holding period. The best potential and worst potential gains and losses are presented. Note that the portfolio with the best potential gain also has the largest potential loss. Which of these portfolios would you prefer to hold?



Portfolio	Portfolio A	Portfolio B	Portfolio C	Portfolio D
Entire Portfolio			X	

8. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns.

Portfolio	Agree	Disagree	Strongly disagree
Entire Portfolio	X		

Asset Class Details

The Asset Class Details table provides a breakdown of the assumptions used to create the total rate of return for each asset class in your analysis. It also provides the standard deviation for each individual asset class as a measure of risk.

Asset Class Details

Asset Class	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth	Total	Standard Deviation
Large Cap Growth Equity	0.00%	2.44%	6.47%	0.00%	0.49%	9.40%	23.70%
Large Cap Value Equity	0.00%	3.43%	4.37%	0.00%	2.92%	10.72%	18.54%
Mid Cap Equity	0.00%	2.79%	7.30%	0.00%	1.00%	11.09%	23.71%
Small Cap Equity	0.00%	1.96%	10.54%	0.00%	1.58%	14.08%	28.87%
International Equity	0.00%	3.77%	4.69%	0.00%	1.92%	10.38%	24.82%
Emerging Markets Equity	0.00%	3.44%	8.41%	0.00%	2.37%	14.22%	34.82%
Long Term Bonds	4.58%	0.00%	0.00%	0.00%	0.00%	4.58%	11.87%
Intermediate Term Bonds	4.03%	0.00%	0.00%	0.00%	0.00%	4.03%	6.67%
Short Term Bonds	3.30%	0.00%	0.00%	0.00%	0.00%	3.30%	3.68%
High Yield Bonds	8.17%	0.00%	0.00%	0.00%	0.00%	8.17%	15.23%
International Bonds	4.25%	0.00%	0.00%	0.00%	0.00%	4.25%	10.86%
Cash	2.81%	0.00%	0.00%	0.00%	0.00%	2.81%	3.09%

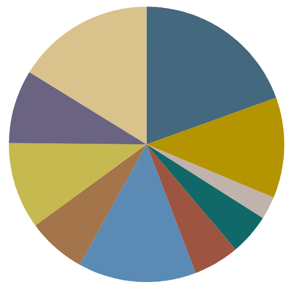
Account Details

The table below provides a list of the holdings for each account in the current portfolio.

Description	Value	% of Account	% of Portfolio
Carl's 401(k)			
New Holding	$310,000	100.0%	27.6%
Account Total	**$310,000**		**27.6%**
Louise's 401(k)			
New Holding	$270,000	100.0%	24.0%
Account Total	**$270,000**		**24.0%**
Vacation Home Savings			
New Holding	$165,000	100.0%	14.7%
Account Total	**$165,000**		**14.7%**
Louise's IRA			
Martha Stewart Living Omn	$10,000	33.3%	0.9%
Short-term Bond Fund	$15,000	50.0%	1.3%
Bond Index Fund	$5,000	16.7%	0.4%
Account Total	**$30,000**		**2.7%**
Carl's Roth IRA			
Balanced Growth Mutual Fund	$20,000	50.0%	1.8%
Microsoft	$20,000	50.0%	1.8%
Account Total	**$40,000**		**3.6%**
Joint Savings - Fleet Bank			
New Holding	$260,000	100.0%	23.1%
Account Total	**$260,000**		**23.1%**
Louise's Investment - Ridgefield Bank			
Corporate Bond Capital Yield Fund	$25,000	50.0%	2.2%
IBM	$25,000	50.0%	2.2%
Account Total	**$50,000**		**4.4%**
Portfolio Total	**$1,125,000**		**100.0%**

Current Asset Mix

This pie graph illustrates your current asset allocation mix. The table below provides a breakdown of the percentages and dollar values for each asset class in the current portfolio.



Rate of Return	7.03%
Standard Deviation	10.92%

Asset Class	Current Asset Mix (%)	Current Asset Mix ($)
Large Cap Growth Equity	19.5	217,250
Large Cap Value Equity	11.8	132,250
Mid Cap Equity	2.7	30,000
Small Cap Equity	4.8	54,500
International Equity	5.4	61,250
Long Term Bonds	13.9	156,500
Intermediate Term Bonds	6.9	78,000
Short Term Bonds	10.2	115,250
High Yield Bonds	8.6	96,750
International Bonds		500
Cash	16.2	182,750
Total	**100.0**	**1,125,000**

Note: The reallocation table above does not reflect the tax effects that may occur when reallocating your assets; these tax effects are accounted for at the end of the year.

Current Portfolio Breakdown

The table below provides a breakdown of the percentages and dollar values for each asset class in the current portfolio.

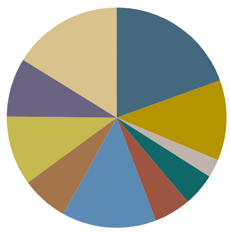
Asset Class	Holding	Type	% of Asset Class	% of Portfolio	Asset Value
Large Cap Growth Equity					
	IBM	Non-Qualified	11.5%	2.2%	$25,000
	New Holding	Non-Qualified	19.0%	3.7%	$41,250
	New Holding	Non-Qualified	18.0%	3.5%	$39,000
	Balanced Growth Mutual Fund	Roth IRA	2.3%	0.4%	$5,000
	Microsoft	Roth IRA	9.2%	1.8%	$20,000
	New Holding	401(k)	21.4%	4.1%	$46,500
	New Holding	401(k)	18.6%	3.6%	$40,500
Total Large Cap Growth Equity				**19.3%**	**$217,250**
Large Cap Value Equity					
	New Holding	Non-Qualified	31.2%	3.7%	$41,250
	Balanced Growth Mutual Fund	Roth IRA	3.0%	0.4%	$4,000
	New Holding	401(k)	35.2%	4.1%	$46,500
	New Holding	401(k)	30.6%	3.6%	$40,500
Total Large Cap Value Equity				**11.8%**	**$132,250**
Mid Cap Equity					
	Balanced Growth Mutual Fund	Roth IRA	3.3%	0.1%	$1,000
	New Holding	401(k)	51.7%	1.4%	$15,500
	New Holding	401(k)	45.0%	1.2%	$13,500
Total Mid Cap Equity				**2.7%**	**$30,000**
Small Cap Equity					
	Martha Stewart Living Omn	IRA	18.3%	0.9%	$10,000
	New Holding	401(k)	56.9%	2.8%	$31,000
	New Holding	401(k)	24.8%	1.2%	$13,500
Total Small Cap Equity				**4.8%**	**$54,500**
International Equity					
	Corporate Bond Capital Yield Fund	Non-Qualified	10.2%	0.6%	$6,250
	New Holding	Non-Qualified	42.4%	2.3%	$26,000
	New Holding	401(k)	25.3%	1.4%	$15,500
	New Holding	401(k)	22.0%	1.2%	$13,500
Total International Equity				**5.4%**	**$61,250**
Long Term Bonds					
	New Holding	Non-Qualified	41.5%	5.8%	$65,000
	Balanced Growth Mutual Fund	Roth IRA	1.9%	0.3%	$3,000
	Bond Index Fund	IRA	1.0%	0.1%	$1,500
	New Holding	401(k)	29.7%	4.1%	$46,500
	New Holding	401(k)	25.9%	3.6%	$40,500
Total Long Term Bonds				**13.9%**	**$156,500**
Intermediate Term Bonds					
	Balanced Growth Mutual Fund	Roth IRA	3.8%	0.3%	$3,000

Asset Class	Holding	Type	% of Asset Class	% of Portfolio	Asset Value
	Bond Index Fund	IRA	1.9%	0.1%	$1,500
	New Holding	401(k)	59.6%	4.1%	$46,500
	New Holding	401(k)	34.6%	2.4%	$27,000
Total Intermediate Term Bonds				**6.9%**	**$78,000**
Short Term Bonds					
	New Holding	Non-Qualified	35.8%	3.7%	$41,250
	Balanced Growth Mutual Fund	Roth IRA	1.7%	0.2%	$2,000
	Bond Index Fund	IRA	0.4%	0.0%	$500
	New Holding	401(k)	26.9%	2.8%	$31,000
	New Holding	401(k)	23.4%	2.4%	$27,000
	Short-term Bond Fund	IRA	11.7%	1.2%	$13,500
Total Short Term Bonds				**10.2%**	**$115,250**
High Yield Bonds					
	Corporate Bond Capital Yield Fund	Non-Qualified	18.1%	1.6%	$17,500
	New Holding	Non-Qualified	67.2%	5.8%	$65,000
	Bond Index Fund	IRA	0.8%	0.1%	$750
	New Holding	401(k)	14.0%	1.2%	$13,500
Total High Yield Bonds				**8.6%**	**$96,750**
International Bonds					
	Bond Index Fund	IRA	100.0%	0.0%	$500
Cash					
	Corporate Bond Capital Yield Fund	Non-Qualified	0.7%	0.1%	$1,250
	New Holding	Non-Qualified	22.6%	3.7%	$41,250
	New Holding	Non-Qualified	35.6%	5.8%	$65,000
	Balanced Growth Mutual Fund	Roth IRA	1.1%	0.2%	$2,000
	Bond Index Fund	IRA	0.1%	0.0%	$250
	New Holding	401(k)	17.0%	2.8%	$31,000
	New Holding	401(k)	22.2%	3.6%	$40,500
	Short-term Bond Fund	IRA	0.8%	0.1%	$1,500
Total Cash				**16.2%**	**$182,750**
Total Portfolio				**100.0%**	**$1,125,000**

Asset Allocation for Entire Portfolio

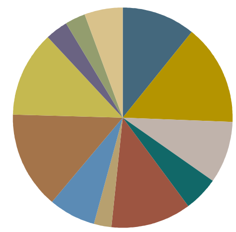
These pie graphs illustrate your current asset mix and suggested asset mix for your entire portfolio.

Current Asset Mix



Rate of Return	7.03%
Standard Deviation	10.92%

Suggested Asset Mix*
Moderate



Rate of Return	7.78%
Standard Deviation	12.13%

*Modifications have been made to the suggested asset mix; please see the **Asset Allocation Modifications** page at the end of this client report for details.

		Current Asset Mix		Suggested Asset Mix	
	Asset Class	(%)	($)	(%)	($)
	Large Cap Growth Equity	19.5	217,250	10.8	121,800
	Large Cap Value Equity	11.8	132,250	14.8	165,150
	Mid Cap Equity	2.7	30,000	9.1	102,600
	Small Cap Equity	4.8	54,500	5.1	57,600
	International Equity	5.4	61,250	11.8	133,050
	Emerging Markets Equity			2.6	28,800
	Long Term Bonds	13.9	156,500	6.9	77,400
	Intermediate Term Bonds	6.9	78,000	14.3	161,100
	Short Term Bonds	10.2	115,250	12.6	142,200
	High Yield Bonds	8.6	96,750	3.3	37,050
	International Bonds		500	3.0	33,750
	Cash	16.2	182,750	5.7	64,500
	Total	**100.0**	**1,125,000**	**100.0**	**1,125,000**

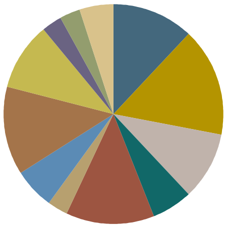
Note: The reallocation table above does not reflect the tax effects that may occur when reallocating your assets; these tax effects are accounted for at the end of the year.

Assumed Asset Mix for Entire Portfolio

This pie graph illustrates the Assumed asset mix for your entire portfolio and will be used for the proposed plan.

Please see the **Asset Allocation Modifications** page at the end of this client report for details on the assumed asset mix.

Assumed Asset Mix
Blended Mix



Rate of Return	8.21%
Standard Deviation	13.30%

The table below provides a breakdown of the percentages and dollar values for each asset class in the current and assumed asset mix. The *Change* column indicates the rebalancing required to reach the assumed asset mix.

Asset Class	Current Asset Mix (%)	Current Asset Mix ($)	Change (%)	Change ($)	Assumed Asset Mix (%)	Assumed Asset Mix ($)
Large Cap Growth Equity	19.5	217,250	**-7.5**	**-82,250**	12.0	135,000
Large Cap Value Equity	11.8	132,250	**+4.2**	**+47,750**	16.0	180,000
Mid Cap Equity	2.7	30,000	**+7.3**	**+82,500**	10.0	112,500
Small Cap Equity	4.8	54,500	**+1.2**	**+13,000**	6.0	67,500
International Equity	5.4	61,250	**+7.6**	**+85,000**	13.0	146,250
Emerging Markets Equity			**+3.0**	**+33,750**	3.0	33,750
Long Term Bonds	13.9	156,500	**-7.9**	**-89,000**	6.0	67,500
Intermediate Term Bonds	6.9	78,000	**+6.1**	**+68,250**	13.0	146,250
Short Term Bonds	10.2	115,250	**-0.2**	**-2,750**	10.0	112,500
High Yield Bonds	8.6	96,750	**-5.6**	**-63,000**	3.0	33,750
International Bonds		500	**+3.0**	**+33,250**	3.0	33,750
Cash	16.2	182,750	**-11.2**	**-126,500**	5.0	56,250
Total	**100.0**	**1,125,000**	**+0.0**	**+0**	**100.0**	**1,125,000**

Note: The reallocation table above does not reflect the tax effects that may occur when reallocating your assets; these tax effects are accounted for at the end of the year.

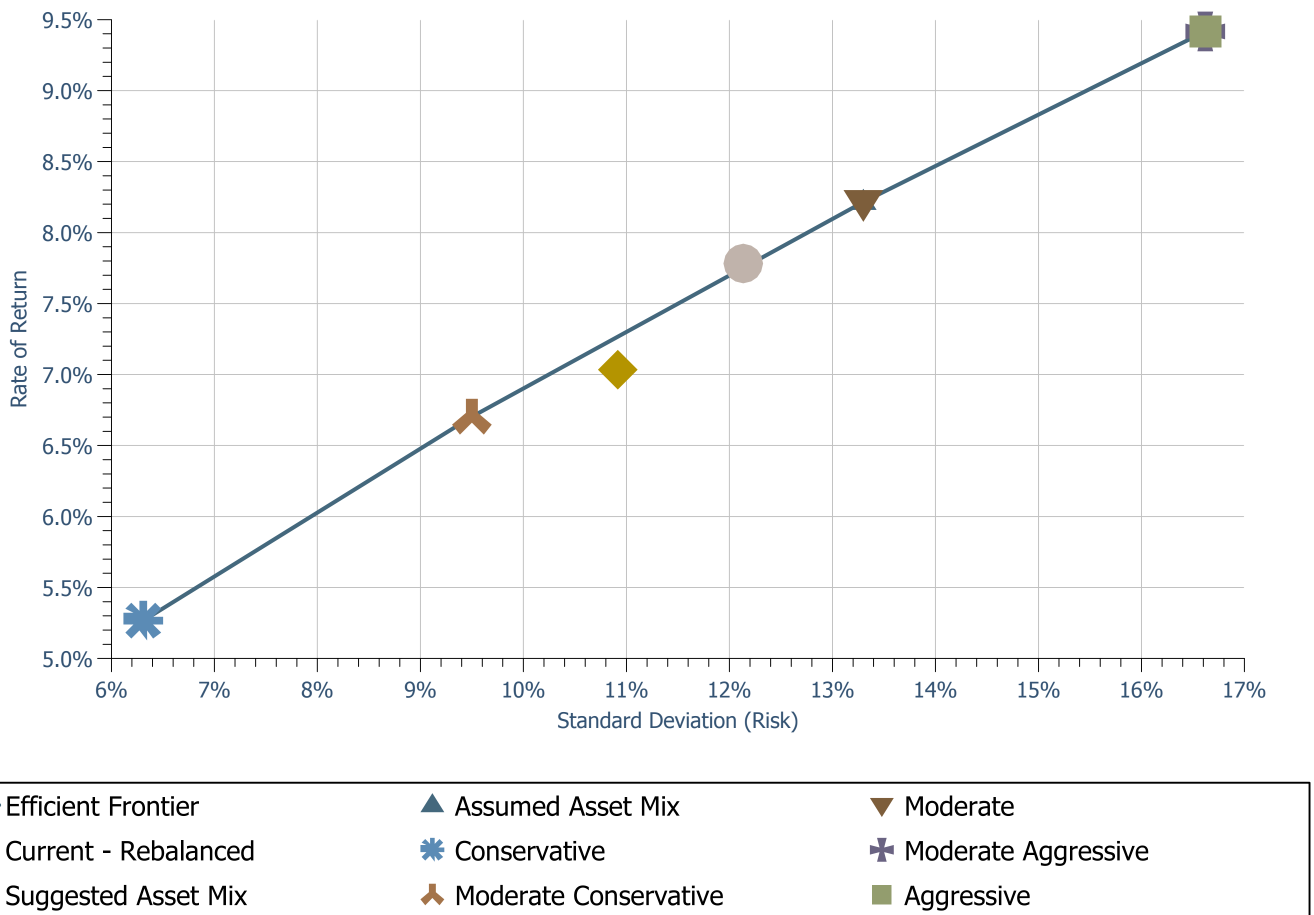
Consider the following:

- Discuss the potential tax consequences of re-allocating your current investment portfolio with your tax advisor.
- Review your portfolio at least once a year or as your financial circumstances change.
- Make sure your portfolio is properly diversified to help reduce portfolio volatility.
- Determine if your investments within each asset class have been achieving acceptable performance relative to appropriate benchmarks.
- Income identified as tax-free may still be subject to the Alternative Minimum Tax (AMT).

Efficient Frontier Analysis

The efficient frontier refers to all the investment portfolios that provide the highest return for a given amount of risk (measured by standard deviation), and is represented in the graph below as a line. A diamond denotes your current portfolio. If the efficient frontier line appears above your portfolio, you may be able to obtain a better rate of return for the level of risk you are willing to accept.

Alternative model portfolios are also plotted on this graph. These additional points on the graph illustrate the risk and return associated with the other portfolios. Remember, only those portfolios along the efficient frontier line provide you with the greatest potential return for a given level of risk.



The table below provides the actual values for the points on the graph above.

	Return	Risk
Current Asset Mix	7.03%	10.92%
Suggested Asset Mix	7.78%	12.13%
Assumed Asset Mix	8.21%	13.30%
Conservative	5.27%	6.31%
Moderate Conservative	6.70%	9.50%
Moderate	8.21%	13.30%
Moderate Aggressive	9.42%	16.62%
Aggressive	9.42%	16.62%

Asset Allocation Considerations

Asset Reallocation

While the proposed allocation may be subject to more or less risk, it may also generate a higher or lower rate of return as compared to your current portfolio. The proposed allocation serves as a beginning for your discussions with your advisor.

It is important to note that reallocating non-qualified investments may trigger an additional tax liability.

Future Contributions

Consider allocating future contributions to those asset classes currently under-weighted. Once your portfolio reaches your desired allocation, you can align your contributions to match the proposed allocation.

Rebalancing

Market activity may cause one asset class to become a greater percentage of the portfolio. Periodic rebalancing helps ensure that your portfolio continues to reflect your desired target asset allocation. Rebalancing ensures that you do not end up overexposed in one type of investment or asset class.

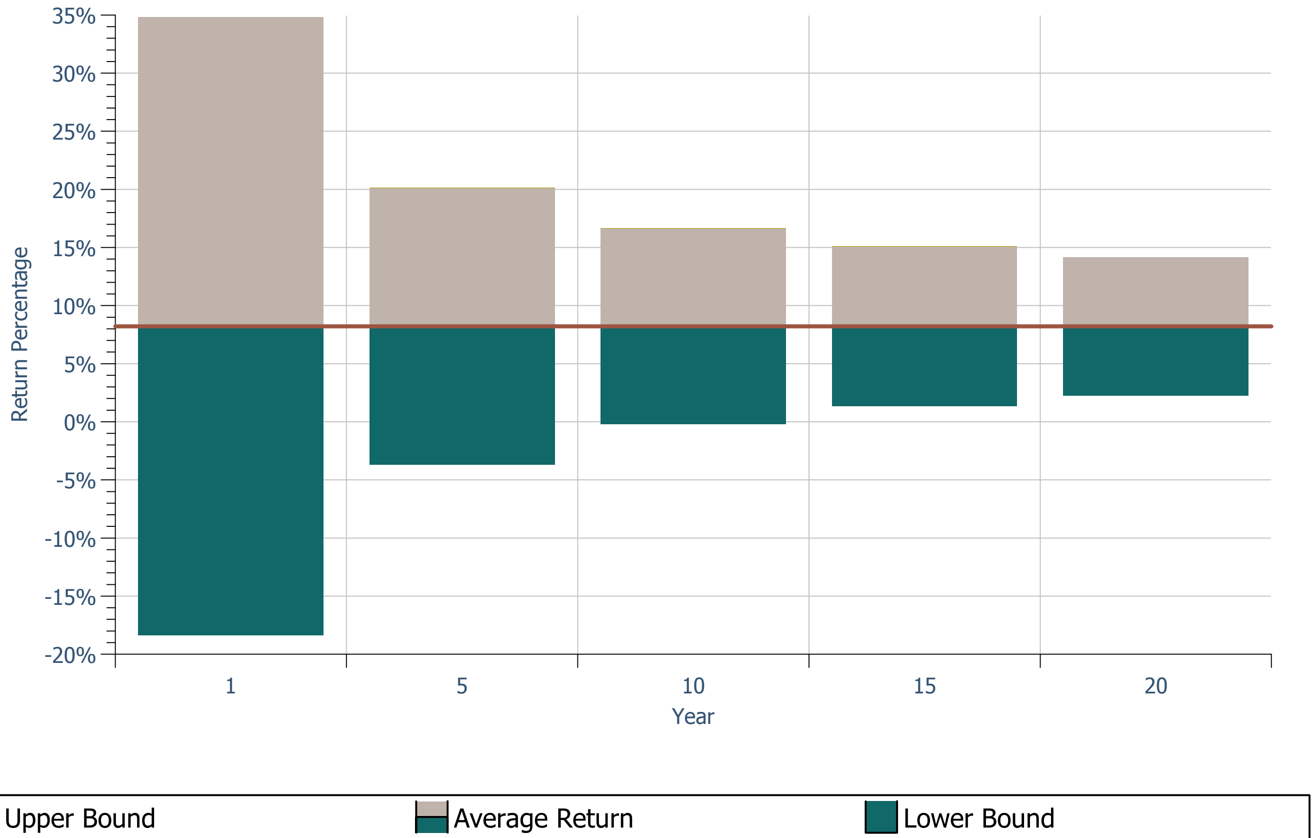
Rebalancing should be done at regular intervals far enough apart to avoid adjustments based on short-term fluctuations. Reviews should be done frequently enough to keep on track, usually annually. The portfolio should be examined if the allocation deviates over five percent from the original proposed allocation.

Mortality and Expense (M&E) Fees

The rates of return have not been adjusted to include mortality and expense fees attributable to variable annuities. These fees, and their effects on asset growth, are accounted for as a monthly expense of the annuity contract and can be observed in applicable Net Worth reports.

Range of Returns

The following graph illustrates the potential range of returns on investments in your proposed investment portfolio. There is a 90% chance your returns over each time period will fall within the given range. Assuming the returns are normally distributed, there is a 5% chance you could outperform the highest return shown here, as well as a 5% chance you could underperform the lowest return shown here. The longer the time period of measurement, the narrower the range of returns. These results assume a buy-and-hold approach to the portfolio over each of the time periods illustrated.



	1 Year	5 Years	10 Years	15 Years	20 Years
5th Percentile*	34.81%	20.11%	16.63%	15.08%	14.16%
Average Return	8.21%	8.21%	8.21%	8.21%	8.21%
95th Percentile**	-18.38%	-3.68%	-0.20%	1.35%	2.27%

* You have a 5% chance of earning a higher return than what is shown over the applicable time period.
** You have a 5% chance of earning a lower return than what is shown over the applicable time period.

Conclusion

Now that you have an overview of your current asset allocation, where do you go from here? Our recommendations are as follows:

- **Review this document** – Ensure you understand the information contained in the report. Be sure to ask us questions on areas that need clarification.
- **Decide on a course of action** – Together, we will evaluate the asset reallocation strategy so that it is consistent with your objectives and your financial ability.

Just as with any strategy or analysis, you must be diligent about updating the plan. Working with your advisor, you should review your current asset allocation regularly - annually at a minimum, or whenever changes in your financial situation warrant a review.

Asset Allocation Modifications

Investor Profile

Based on the responses to your risk tolerance questionnaire, your default investor profile is “Moderate”.

Conservative
Moderate Conservative
Moderate
Moderate Aggressive
Aggressive

Entire Portfolio – Pre-retirement

Suggested Asset Mix

- The suggested asset mix does not apply because the investor profile was overridden to the assumed asset mix.

Assumed Asset Mix

- In the proposed plan the assumed asset mix – Pre-Retirement for the entire portfolio is a **blended mix** of all of the goals.

Entire Portfolio – Retirement

Suggested Asset Mix

- The suggested asset mix does not apply because the investor profile was overridden to the assumed asset mix.

Assumed Asset Mix

- In the proposed plan the assumed asset mix – Retirement for the entire portfolio is a **blended mix** of all of the goals.

Important Terminology

Rate of return (current asset mix)

The dollar-weighted average rate of return of the assets in the current asset mix.

Rate of return (suggested asset mix)

The rate of return that is calculated based on the investment profile as determined by answers to a risk tolerance questionnaire.

Rate of return (assumed asset mix)

The dollar-weighted average rate of return of the assets in the assumed asset mix is based on user defined assumptions.

Standard deviation

Standard deviation is a statistical measure of the volatility of an asset or account. It measures the degree to which the rate of return in any one year varies from the historical average rate of return for that investment; the greater the standard deviation, the riskier the investment.

Investment profile

The investment profile is the result of an analysis of an individual's investment objectives, time horizon, and risk tolerance in reference to investing.

Portfolio

The combination of assets a client owns and that are considered in this plan to fund the client's goal.

Time horizon

The length of time desired to achieve a financial goal. A longer time horizon usually allows an individual to withstand more volatility, whereas a shorter time horizon typically requires less volatility and more liquidity.

Asset mix

The combination of asset classes within an investment portfolio. It can also be a further division within an asset class of assets such as a mix of small, medium, and large company stock assets.

Current asset mix

The combination of asset classes assigned to the assets included in the current plan.

Suggested asset mix

The asset mix that is derived based on the investment profile as determined by answers to a risk tolerance questionnaire.

Assumed asset mix

The asset mix that results when the suggested asset mix is subject to certain modifications.

Entire portfolio

The entire portfolio for the current plan represents the asset mix of all accounts in the plan. The entire portfolio for the proposed plan is the combined suggested and assumed asset mixes associated with all of the goals included in the plan.

Blended mix

For the entire portfolio, a blended mix of investment profiles indicates that the investment profile has been defined differently for each goal. For the retirement goal, a blended mix of investment profiles indicates that the investment profile has been defined differently for each type of account (qualified retirement accounts, non-qualified accounts, or non-qualified annuity retirement accounts).

Uniform Transfer to Minors Act (UTMA) and Uniform Gift to Minors Act (UGMA)

UTMA and UGMA are custodial accounts, owned by a minor with an adult designated as the custodian. The accounts are normally used to save for the child's education. Once the transfer to the account occurs, the account is the legal property of the child and can only be used for the child's benefit. When the child reaches the age of majority, control of the account transfers to the child and the child can use the proceeds as he or she wishes. The UTMA considers the age of majority to be 21 although it is 18 in some states.

Asset class

A category of investments grouped according to common characteristics such as relative liquidity, income characteristics, tax status, and growth characteristics.

Large Cap Growth Equity

Domestic U.S. equity stocks representing securities with a greater-than-average growth orientation, which tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields, and higher forecasted growth values.

Large Cap Value Equity

Domestic U.S. equity stocks representing securities with a less-than-average growth orientation, which generally have lower price-to-book and price-earnings ratios, higher dividend yields, and lower forecasted growth values.

Mid Cap Equity

Domestic U.S. equity stocks representing the Russell Mid Cap Index, which consists of the smallest 800 companies in the Russell 1000 index as ranked by total market capitalization.

Small Cap Equity

Domestic U.S. equity stocks representing the Russell 2000 Index, which is a small-cap index consisting of the smallest 2,000 companies in the Russell 3000 Index.

International Equity

Stocks representing the MSCI EAFE (Europe, Australasia, Far East) Index, which is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada.

Emerging Markets Equity

Equities representing the MSCI Emerging Markets Index, which is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets.

Long-Term Bonds

Bonds where the total returns are calculated for each year on a single bond issued by the U.S. Government with a term of approximately 20 years, and a reasonably current coupon with returns that did not reflect potential tax benefits, impaired negotiability, or special redemption or call privileges.

Intermediate-Term Bonds

These bonds represent one-bond portfolios used to construct the intermediate-term index. The bond chosen each year is the shortest non-callable bond with a maturity of not less than five years, and it is “held” for the calendar year.

Short-Term Bonds – U.S. 1-Year Government Bonds

Bonds represent yields on Treasury securities at “constant maturity” and are interpolated by the U.S. Treasury from the daily yield curve. This curve relates the yield on a security to its time to maturity, and is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market.

High-Yield Bonds

Bonds representing the universe of fixed rate, noninvestment grade debt.

International Bonds

Bonds reflecting the returns provided by investment in international (non-U.S.) fixed income securities.

Cash

Cash reflects the returns provided by short-term fixed income instruments. The index is based on the U.S. 3-month Treasury bills.

Important acronyms

SOY – Start of year	**CSV** – Cash surrender value
EOY – End of year	**UGMA** – Uniform Gift to Minors Act
RMD – Required minimum distribution	**UTMA** – Uniform Transfer to Minors Act
ROR – Rate of return	

Disclaimer

IMPORTANT: Please read this section carefully. It contains an explanation of some of the limitations of this report.

IMPORTANT: *The calculations or other information generated by NaviPlan regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.*

Below is an outline of several specific limitations of the calculations of financial models in general and of NaviPlan specifically.

The Calculations Contained in This Report Depend in Part, on Personal Data That You Provide

The assumptions used in this assessment are based on information provided and reviewed by you. These assumptions must be reconsidered on a frequent basis to ensure the results are adjusted accordingly. The smallest of changes in assumptions can have a dramatic impact on the outcome of this assessment. Any inaccurate representation by you of any facts or assumptions used in this assessment invalidates the results.

This Report is Not a Comprehensive Financial Report and Does Not Include, Among Other Things, a Review of Your Insurance Policies

We have made no attempt to review your property and liability insurance policies (auto and homeowners, for example). We strongly recommend that in conjunction with this assessment, you consult with your property and liability agent to review your current coverage to ensure it continues to be appropriate. In doing so, you may wish to review the dollar amount of your coverage, the deductibles, the liability coverage (including an umbrella policy), and the premium amounts.

NaviPlan Does Not Constitute Legal, Accounting, or Tax Advice

This assessment does not constitute advice in the areas of legal, accounting or tax. It is your responsibility to consult with the appropriate professionals in those areas either independently or in conjunction with this assessment process.

Circular 230: Any income tax, estate tax or gift tax advice contained within this document was not intended or written to be used for, and cannot be used for, the purpose of avoiding penalties that may be imposed.

Discussion of the Limits of Financial Modeling

Inherent Limitations in Financial Model Results

Investment outcomes in the real world are the result of a near infinite set of variables, few of which can be accurately anticipated. Any financial model, such as NaviPlan, can only consider a small subset of the factors that may affect investment outcomes and the ability to accurately anticipate those few factors is limited. For these reasons, investors should understand that the calculations made in this assessment are hypothetical, do not reflect actual investment results, and are not guarantees of future results.

Results May Vary With Each Use and Over Time

The results presented in this assessment are not predictions of actual results. Actual results may vary to a material degree due to external factors beyond the scope and control of this assessment. Historical data may have been used to produce future assumptions used in the assessment, such as rates of return. Utilizing historical data has limitations as past performance is not a guarantee or predictor of future performance.

Outline of the Limitations of NaviPlan and Financial Modeling

Your Future Resources and Needs May Be Different From the Estimates That You Provide

This assessment is intended to help you in making decisions on your financial future based, in part, on information that you have provided and reviewed. The proposed asset allocation presented in this assessment is based, in part, on your answers to a risk tolerance questionnaire and may represent a more aggressive—and therefore more risky—investment strategy than your current asset allocation mix.

The calculations contained in the report utilize the information that you have provided and reviewed including, but not limited to, your age, tolerance for investment risk, income, assets, liabilities, anticipated expenses, and likely retirement age. Some of this information may change in unanticipated ways in the future and those changes may make NaviPlan less useful.

NaviPlan Considers Investment in Only a Few Broad Investment Categories

NaviPlan utilizes this information to estimate your future needs and financial resources and to identify an allocation of your current and future resources, given your tolerance for investment risk, to a few broad investment categories: large-cap equity, mid-cap equity, small-cap equity, international equity, emerging equity, bonds, and cash.

In general, NaviPlan favors the investment categories that have higher historical and expected returns. The extent of the recommended allocation to these favored investment categories is limited by the investor's disclosed tolerance for risk. In general, higher returns are associated with higher risk.

These broad investment categories are not specific securities, funds, or investment products and NaviPlan is not an offer or solicitation to purchase any securities or investment products. The assumed rates of return of these broad categories are based on the returns of indices. These indices do not include fees or operating expenses and are not available for investment. These indices are unmanaged and the returns are shown for illustrative purposes only.

It is important to note that the broad categories that are used are not comprehensive and other investments that are not considered may have characteristics that are similar or superior to the categories that are used in NaviPlan.

NaviPlan Calculates Investment Returns Far Into the Future Using Ibbotson Data

For all asset class forecasts, Ibbotson uses the building block approach to generate expected return estimates. The building block approach uses current market statistics as its foundation and adds historical performance relationships to build expected return forecasts. This approach separates the expected return of each asset class into three components: the real risk-free rate, expected inflation, and risk premia. The real risk-free rate is the return that can be earned without incurring any default or inflation risk. Expected inflation is the additional reward demanded to compensate investors for future price increases, and risk premia measures the additional reward demanded for accepting uncertainty associated with investing in a given asset class. Any calculation of future returns of any asset category, including any calculation using historical returns as a guide, has severe limitations. Changes in market conditions or economic conditions can cause investment returns in the future to be very different from returns in the past. Returns realized in the future can, in fact, be much lower, or even negative, for all or some of these asset categories and, if so, the calculations in NaviPlan will be less useful.

Any assets, including the broad asset categories considered in NaviPlan, that offer potential profits also entail the possibility of losses.

Furthermore, it is significant that the historical data for these investment categories does not reflect investment fees or expenses that an investor would pay when investing in securities or investment products. The fees and expenses would significantly reduce net investment returns and a calculation taking account of fees and expenses would result in lower expected asset values in the future.

NaviPlan Calculations Include Limited Accounting for Taxes

The federal and state income tax laws are extremely complex and subject to continuous change. NaviPlan has limited capability to model any individual's tax liability, and future tax laws may be significantly different from current tax laws. Any changes in tax law may affect returns for any given investment and make the calculations produced by NaviPlan less useful. The calculations contain limited support for the tax impact on transfers of money or redemptions of funds.

NaviPlan Calculations Do Not Include Fees and Expenses

The calculations utilize return data that do not include fees or operating expenses. If included, fees and other operating expenses would materially reduce these calculations. Recommendations included in the calculations to redeem funds from certain investments or transfer money to others do not account for fees and charges that may be incurred.

NaviPlan Calculations May Include Variable Products

Variable life insurance policies or deferred variable annuities are inherently risky and may be included in the calculations. The return rate assumptions used throughout this analysis do not relate to the underlying product illustrated. These returns should not be used as a proxy for actual performance as they may exaggerate the performance potential of the underlying investment accounts (subaccounts). Any calculations incorporating variable products are hypothetical and intended to show how the performance of the underlying subaccounts could affect the value and death benefit of the variable products; these calculations are not intended to predict or project investment results.

The rates of return have not been adjusted to include mortality and expense fees attributable to variable annuities. These fees, and their effects on asset growth, are accounted for as a monthly expense of the annuity contract and can be observed in applicable net worth reports.

If a variable annuity included in this analysis contains a guaranteed minimum withdrawal rider, it is important to understand that if the contract value is greater than the guaranteed minimum withdrawal benefit once withdrawals begin, as an investor you will have paid for the rider and not actually used it.

Income taxes during the annuitization phase are accounted for in the calculations. See the section titled NaviPlan Calculations Include Limited Accounting for Taxes in this Disclaimer for further information on the tax methodology used.

Delivery Acknowledgement

We, Carl and Louise Sample-Retired, have reviewed and accept the information contained within this plan and understand the assumptions associated with it. We believe that all information provided by us is complete and accurate to the best of our knowledge. We recognize that performance is not guaranteed and that all future calculations are included simply as a tool for decision-making and do not represent a forecast of our financial future. This analysis should be reviewed periodically to ensure that decisions made continue to be appropriate, particularly if there are changes in family circumstances, such as an inheritance, birth of a child, death of a family member, or material change in incomes or expenses.

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Carl Sample-Retired

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Louise Sample-Retired

Date:

Note

This analysis has been prepared based on the information provided. There has been no attempt to verify the accuracy or completeness of this information. As the future cannot be forecast with certainty, actual results will vary from these calculations. It is possible that these variations may be material. The degree of uncertainty normally increases with the length of the future period covered.