Financial Needs Assessment

Carl and Louise Sample-Retired
Ridgefield, Connecticut

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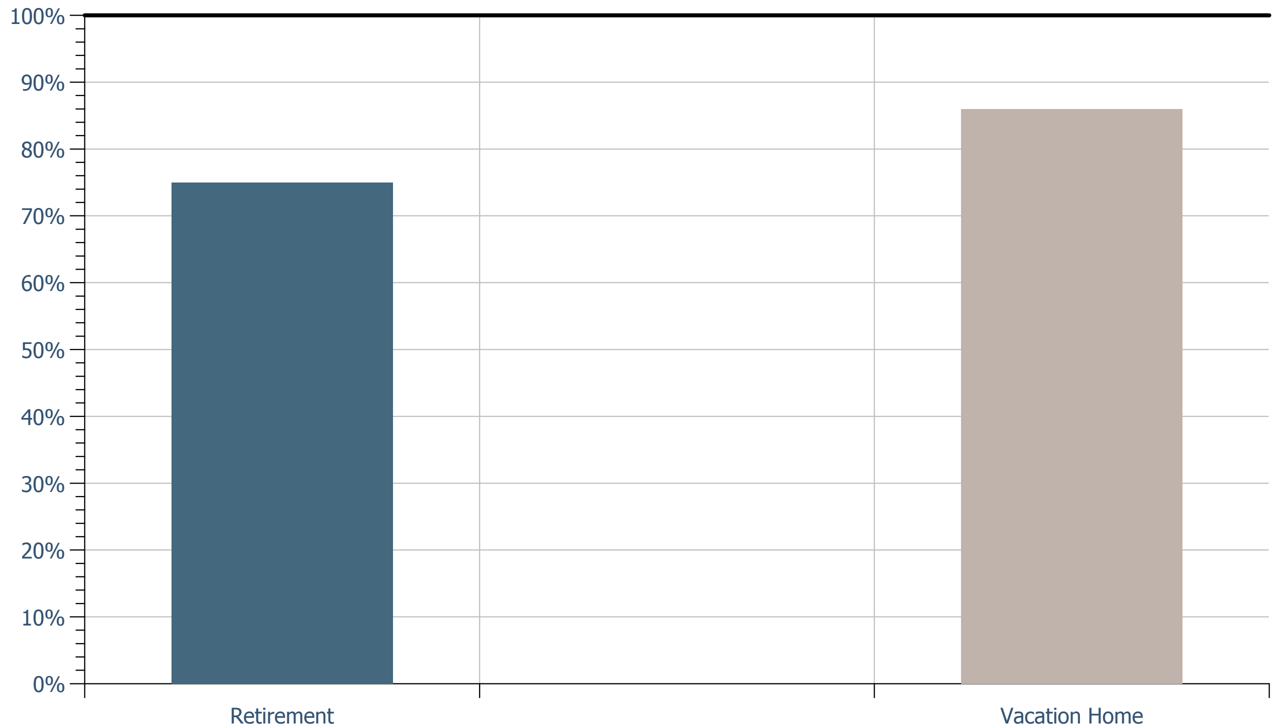
Overview

The *Goal Achievement* graph illustrates the percentage of each goal that may be covered based on the projection of the current capital and savings for each goal.

Alternative strategies that may assist in goal achievement are listed in the tables following the *Goal Achievement* graph.



Retirement

Unfortunately, your current retirement strategies fall short of the desired retirement goal.

The following table provides alternative strategies that may assist you in achieving the desired retirement goal.

Options						
Expect Retirement Expenses to Be Covered At	**OR**	**Save an Additional**	**OR**	**Invest a Lump Sum Today Of**	**OR**	**Retire in the Year (at age)**
75%		$20,967/month		$484,755		2018/2018 (67/65)

Important: The calculations or other information generated by NaviPlan® version 12.0 regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. These calculations are shown for illustrative purposes only because they utilize return data that may not include fees or operating expenses, and are not available for investment. If included, fees and other operating expenses would materially reduce these calculations. See the Disclaimers section for more information.

Major Purchase

Unfortunately, your current major purchase strategies may not allow you to achieve the desired major purchase goal.

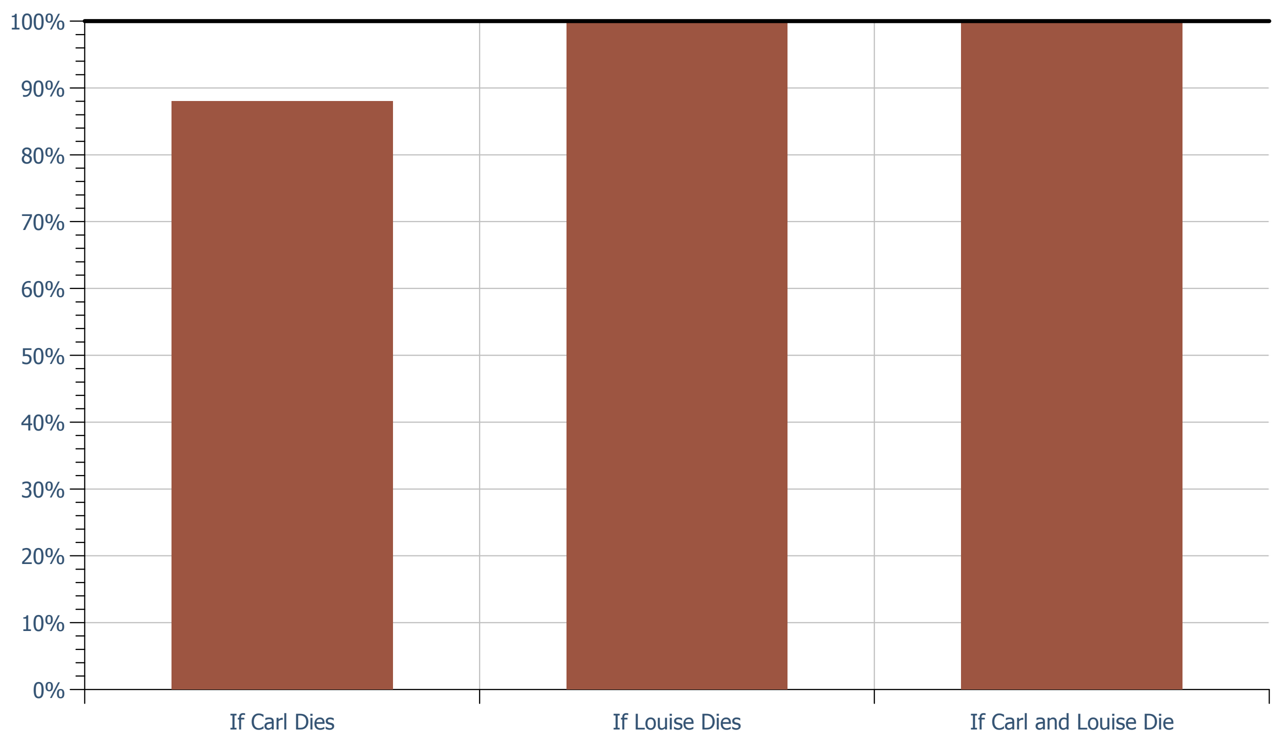
The following table provides alternative strategies that may assist you in achieving the desired major purchase goal.

Options

	Expect to Support Major Purchase Costs At ($)	OR	Save an Additional	OR	Invest a Lump Sum Today Of	OR	Adjust Purchase Date To
Vacation Home (2013)	86% ($172,000)		$1,141/month		$26,226		2020

The *Goal Achievement* graph illustrates the percentage of each goal that may be covered based on the projection of the current capital and savings for each goal.

Alternative strategies that may assist in goal achievement are listed in the tables following the *Goal Achievement* graph.



Life Insurance

Your current life insurance coverage falls short of the necessary life insurance coverage for the Carl dies analysis. However, your current coverage provides the Louise dies analysis and the Carl and Louise die analysis with the necessary amount of life insurance coverage.

The following table provides alternative strategies that may assist you in achieving your life insurance goals.

Options

	Expect to Cover Total Life Insurance Need At ($)	OR	Purchase Additional Life Insurance Of
If Carl Dies	88% ($240,000)		$262,492
If Louise Dies	100% ($160,000)		$0
If Carl and Louise Die	100%* ($400,000)**		$0

*The goal coverage percent is calculated based on the use of the net estate to cover needs.

**The dollar value shown equals the total amount of coverage available in the event both die.

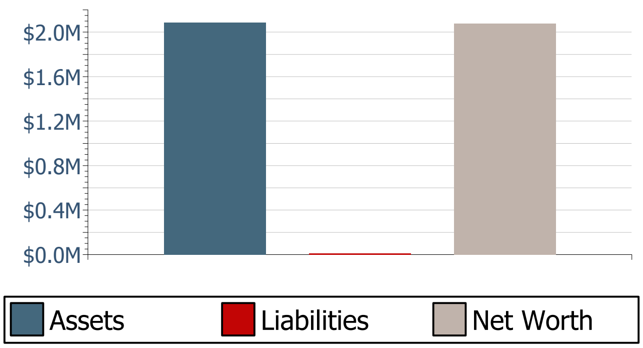
Current Financial Position

Analysis

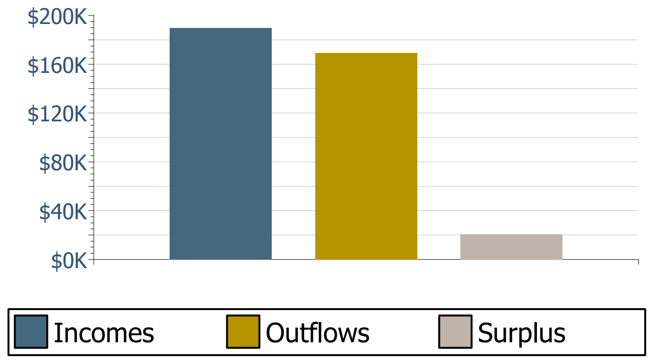
To determine your net worth we take the current value of all your assets, and then subtract the current value of all your liabilities. Based on the information you have provided, you currently have a **net worth of $2,075,000**.

We have also evaluated your current cash flow position. We determine your cash flow surplus or deficit by adding together all your cash inflows, and then subtracting all your cash outflows, which include lifestyle expenses, savings, and taxes. Based on the information you have provided, you currently have a **cash flow surplus of $20,411** in 2011.

Net Worth



Cash Flow



Net Worth

Qualified Assets	$650,000
Non-Qualified Assets	$785,000
Lifestyle Assets	$650,000
Liabilities	($10,000)
Net Worth	$2,075,000

Cash Flow

Income	$189,544
Lifestyle Expenses	$80,500
Medical Expenses	$0
Savings	$34,873
Taxes	$53,760
Surplus	$20,411

Consider the Following

Review your current expenses to determine which items are discretionary.
Decide on the sacrifices you are currently willing to make to achieve your financial goals.

Asset Allocation

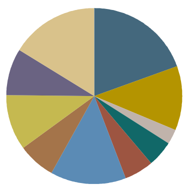
Objective(s)

To maximize the return of your investment portfolio given your personal risk tolerance and investment time horizons.

Analysis

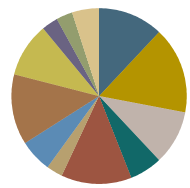
Based on our analysis of your current asset mix, you may be incurring less risk than your risk tolerance indicates you would be comfortable with in your investment portfolio. We recommend rebalancing your portfolio to more closely represent your risk tolerance and time horizon.

Current Asset Mix



Rate of Return	7.03%
Standard Deviation	10.92%

Assumed Asset Mix*
Blended Mix



Rate of Return	8.21%
Standard Deviation	13.30%

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

	Current Asset Mix		Change		Assumed Asset Mix	
Asset Class	(%)	($)	(%)	($)	(%)	($)
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

- A proper asset allocation helps you maximize your return rate for the level of risk that is within your comfort zone.
- A well diversified portfolio also reduces the risk of having "all of your eggs in one basket."

Retirement

Objective(s)

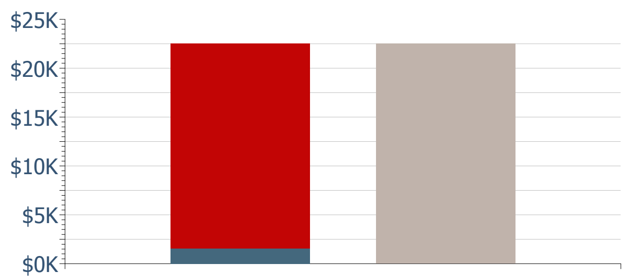
Carl plans to retire in the year 2013 at age 62. Louise plans to retire in the year 2013 at age 60. Your retirement income goal in the year 2013 is $131,004, in today's dollars.

Analysis

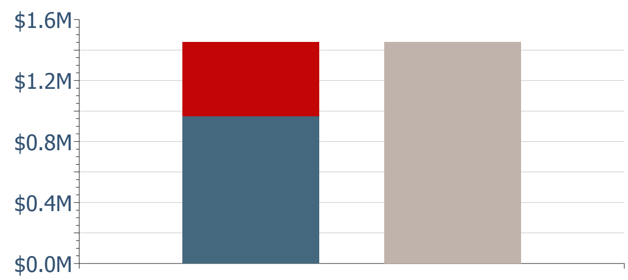
Based on our assessment, you may not have sufficient savings strategies in place, or sufficient capital allocated, to meet your retirement goal.

Based on your current assumptions, to meet your retirement goal you would need to save an **additional $20,967 per month** or allocate an **additional $484,755 today**.

Monthly Savings for Retirement



Capital for Retirement



Current Savings/Capital | Additional Required Savings/Capital | Total Required Savings/Capital

Current Savings	$1,550/month*
Assets Currently Allocated	$966,411
Rate of Return	7.29%
Additional Savings Required	$20,967/month
or	
Additional Capital Required	$484,755

*May include surplus savings.

These calculations are based on the current asset mix and rate of return.

Consider the Following

- The additional required monthly savings amount is based on savings to non-qualified assets.
- Maximize contributions to tax-advantaged qualified retirement plans such as IRAs, Roth IRAs, and 401(k) plans.
- If you have not already done so, begin investing on a regular basis.

Attainable Retirement

Objective(s)

Carl plans to retire in the year 2013 at age 62. Louise plans to retire in the year 2013 at age 60.

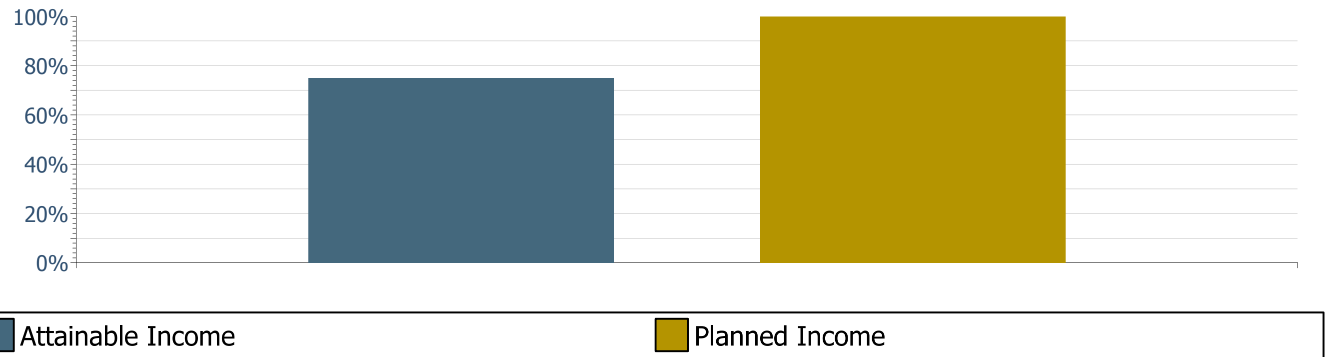
Analysis

Based on our assessment, it appears Carl may not be able to retire until the year 2018, at age 67, and Louise may not be able to retire until the year 2018, at age 65.

If Carl was to retire in the year 2013, at age 62 and Louise was to retire in the year 2013, at age 60, it appears your current savings strategies and retirement capital may provide you with the ability to cover 75% of your planned retirement expenses.

Attainable Retirement Expenses

Retire At 62/60



Attainable Retirement Age

	Retirement Goal	Attainable Retirement
Carl	62 (2013)	67 (2018)
Louise	60 (2013)	65 (2018)

Attainable Retirement Expenses

Retirement Age	% of Retirement Expenses*
62/60	75%

*This value indicates the percentage of your stated annual retirement needs that can be funded by your available retirement resources throughout your entire retirement time period.

Consider the Following

- If the amount of required savings is unmanageable, we should review your goals to find a solution.
- If your savings exceed your need, you may be able to spend more in retirement.

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Vacation Home

Objective(s)

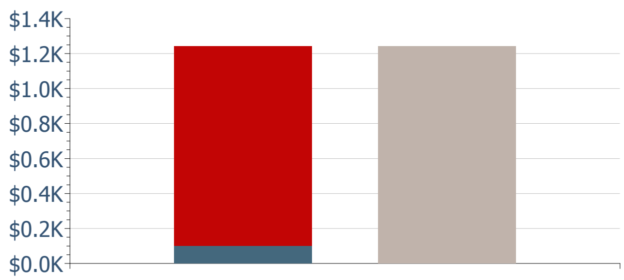
You want to purchase a “Vacation Home” in 2 years, in the year 2013, for the amount of $200,000, in today’s dollars.

Analysis

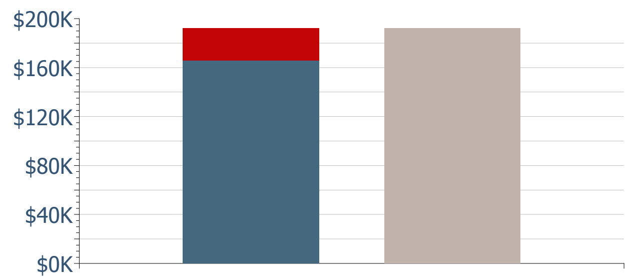
Based on our assessment, it appears you may not have sufficient savings strategies in place, or sufficient capital allocated to meet your goal.

Based on your assumptions, to meet your goal you need to save an **additional $1,141 per month** or allocate an **additional $26,226 today**.

Monthly Savings



Capital Allocated



Current Savings/Capital | Additional Required Savings/Capital | Total Required Savings/Capital

Current Savings	$100/month
Assets Currently Allocated	$166,002
Rate of Return	6.56%
Additional Savings Required	$1,141/month
or	
Additional Capital Required	$26,226

These calculations are based on the current asset mix and rate of return.

Consider the Following

- Prioritize the financial goals for your family and give them realistic timelines.
- Determine your investment strategy for each goal based on your time horizon and risk tolerance.
- Start saving as early as possible.

Life Insurance – Carl

Objective(s)

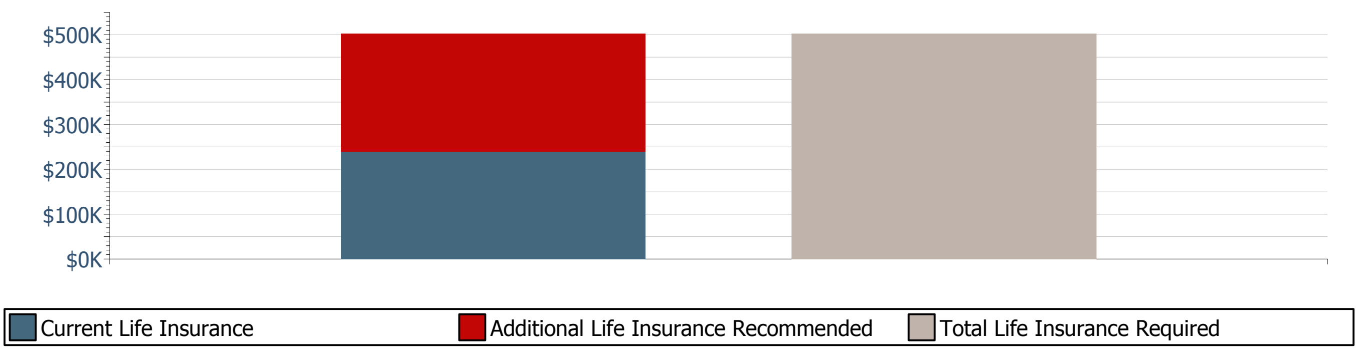
In the event of Carl's death, you want to ensure that Louise has enough income and capital to cover the family’s expenses, and to fund your education and major purchase goals.

Analysis

Based on our assessment, you currently may not have sufficient life insurance to meet Louise's ongoing needs.

Increasing your **life insurance coverage by $262,492** can help reduce this shortfall.

If Carl Dies



If Carl Dies

Total Coverage Needed	$502,492
Current Life Insurance Owned	$240,000
Additional Life Insurance Required	$262,492

These calculations are based on the current asset mix and rate of return.

Consider the Following

- You may not want to rely solely on group policies at work. If you change jobs or your employer switches to another insurer, you may no longer be eligible for group benefits.
- Review your coverage periodically to ensure it continues to meet your family’s changing needs.
- It is also important to consider continued savings to fund other financial goals.

Life Insurance – Louise

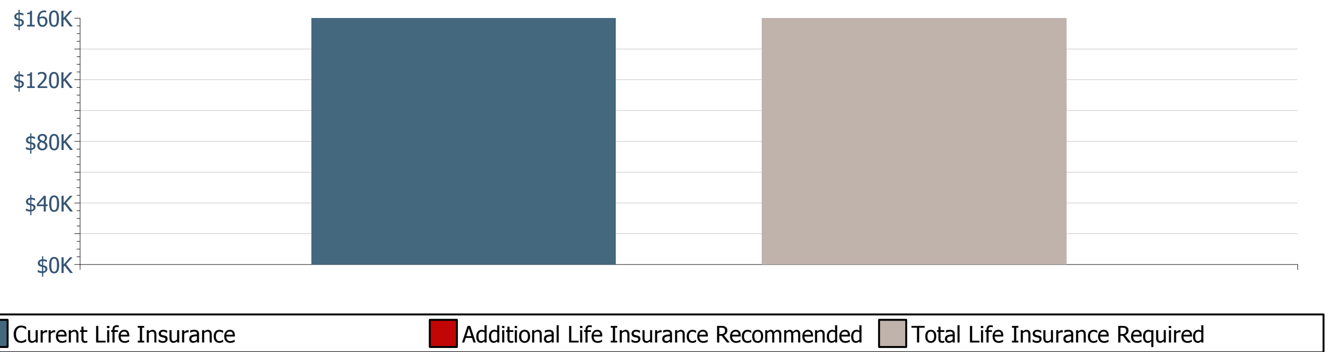
Objective(s)

In the event of Louise's death, you want to ensure that Carl has enough income and capital to cover the family's expenses, and to fund your education and major purchase goals.

Analysis

Based on our assessment, you currently have sufficient capital and life insurance to meet Carl's ongoing needs.

If Louise Dies



If Louise Dies

Total Coverage Needed	$160,000
Current Life Insurance Owned	$160,000
Additional Life Insurance Required	$0

These calculations are based on the current asset mix and rate of return.

Consider the Following

- You may not want to rely solely on group policies at work. If you change jobs or your employer switches to another insurer, you may no longer be eligible for group benefits.
- Review your coverage periodically to ensure it continues to meet your family's changing needs.
- It is also important to consider continued savings to fund other financial goals.

Life Insurance – Carl and Louise

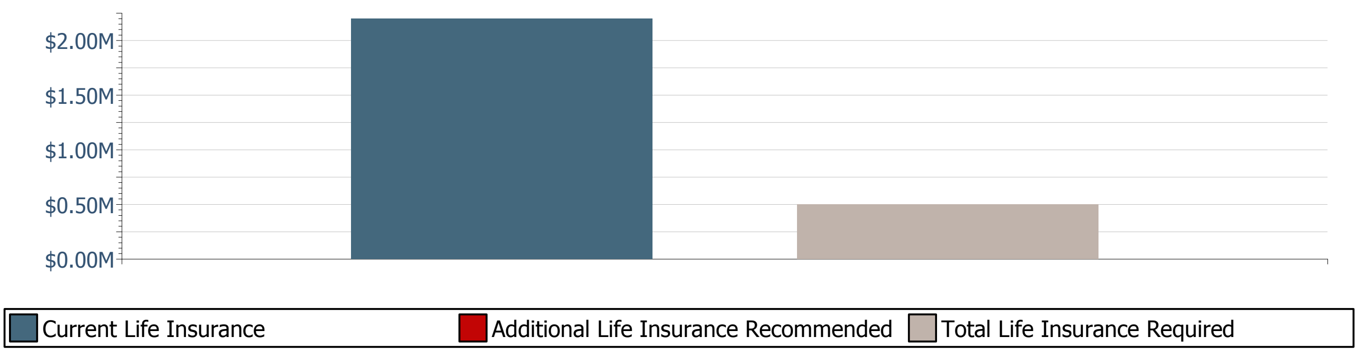
Objective(s)

In the event of Carl's and Louise's deaths, you want to ensure that there is sufficient capital available to cover your final expenses and estate expenses.

Analysis

Based on our assessment, you currently have sufficient capital and life insurance to meet your estate objectives.

If Carl and Louise Die



If Carl and Louise Die

Required Net Estate	$500,000
Current Net Estate	$2,199,066
Additional Life Insurance Required	$0

These calculations are based on the current asset mix and rate of return.

Consider the Following

- You may not want to rely solely on group policies at work. If you change jobs or your employer switches to another insurer, you may no longer be eligible for group benefits.
- Review your coverage periodically to ensure it continues to meet your family's changing needs.
- It is also important to consider continued savings to fund other financial goals.

Long-Term Care Insurance – Carl

Objective(s)

Entering into long-term care can have a dramatic impact on your ability to achieve your goals. In the event that Carl requires long-term care, you would like to ensure that there is enough income and capital to cover long-term care expenses and to cover the family's expenses and stated goals.

Analysis

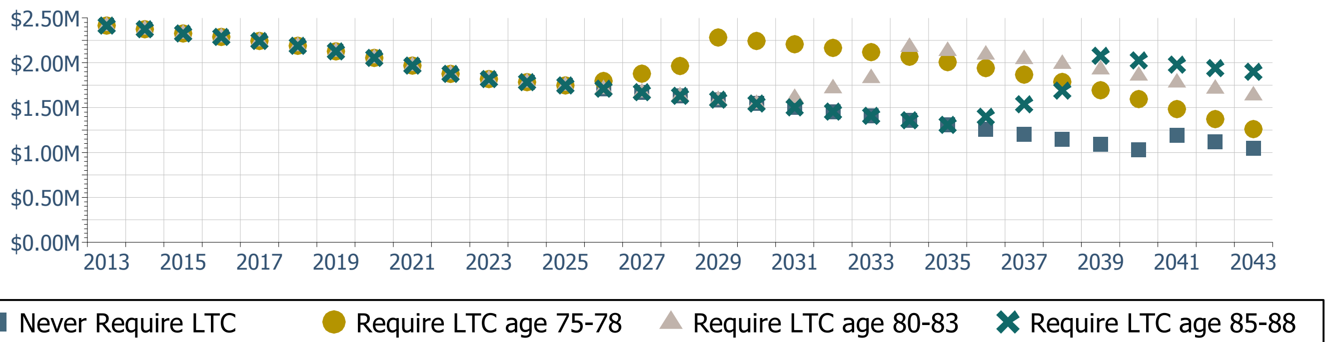
If Carl requires long-term care at age 75, your net worth at Louise's death will be $1,372,322.

If Carl requires long-term care at age 80, your net worth at Louise's death will be $1,715,487.

If Carl requires long-term care at age 85, your net worth at Louise's death will be $1,941,469.

By comparison, if Carl does not require long-term care, your net worth at Louise's death would be $1,048,113.

Net Worth When Requiring Long-Term Care



If Carl Requires Long-Term Care

Existing LTC Insurance	$150/day*
Long-Term Care Expenses	$0/day**
LTC Benefit Surplus/(Deficit)	$150/day

*In today's dollars. This benefit may be indexed.

**In today's dollars. Individual LTC expenses may be indexed at different rates.

Consider the Following

- Review your family's health history to help determine the likelihood of requiring long-term care.
- Review your existing coverage to determine whether it will meet your needs.
- Assess your long-term care options within your family and your community, and the costs of each.

Long-Term Care Insurance – Louise

Objective(s)

Entering into long-term care can have a dramatic impact on your ability to achieve your goals. In the event that Louise requires long-term care, you would like to ensure that there is enough income and capital to cover long-term care expenses and to cover the family's expenses and stated goals.

Analysis

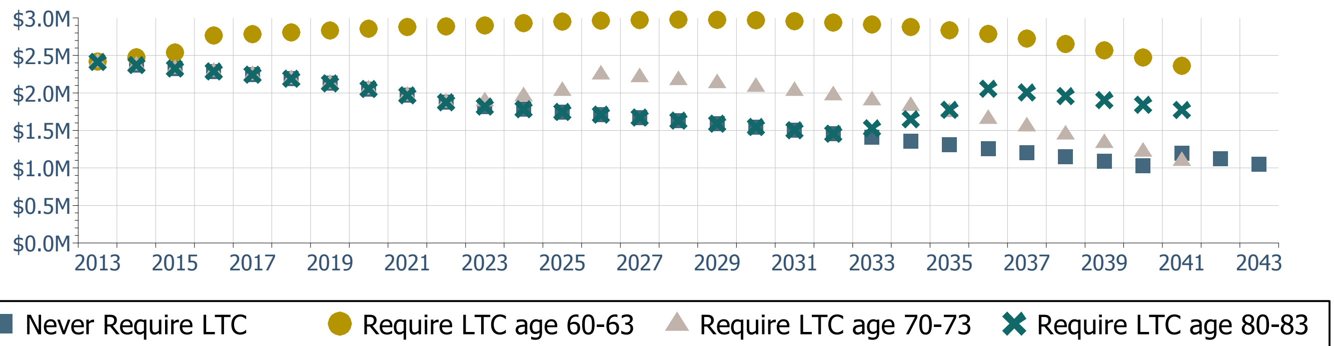
If Louise requires long-term care at age 60, your net worth at Carl's death will be $2,362,668.

If Louise requires long-term care at age 70, your net worth at Carl's death will be $1,099,290.

If Louise requires long-term care at age 80, your net worth at Carl's death will be $1,772,358.

By comparison, if Louise does not require long-term care, your net worth at Louise's death would be $1,048,113.

Net Worth When Requiring Long-Term Care



If Louise Requires Long-Term Care

Existing LTC Insurance	$150/day*
Long-Term Care Expenses	$0/day**
LTC Benefit Surplus/(Deficit)	$150/day

*In today's dollars. This benefit may be indexed.

**In today's dollars. Individual LTC expenses may be indexed at different rates.

Consider the Following

- Review your family's health history to help determine the likelihood of requiring long-term care.
- Review your existing coverage to determine whether it will meet your needs.
- Assess your long-term care options within your family and your community, and the costs of each.

Estate Planning

Carl Dies in 2021; Louise Dies in 2026

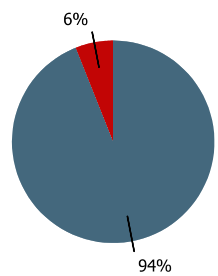
Objective(s)

Estate planning can help minimize estate taxes and maximize the distribution of assets in the event that Carl dies in the year 2021 and Louise dies in the year 2026.

Analysis

Based on our current analysis, at Louise's death in 2026 your estate will distribute **$1,101,644 to your heirs, $0 to charity, and $70,634 to taxes**.

Carl Dies in 2021; Louise Dies in 2026



Net to Heirs (94%)
Total Taxes (6%)

Carl Dies in 2021; Louise Dies in 2026

Net to Charities	$0
Total Taxes	$70,634
Net to Heirs	$1,101,644
Total	$1,172,278

These calculations are based on the current asset mix and rate of return.

Consider the Following

- Regardless of the size of your estate, everyone should have a will, durable power of attorney, medical power of attorney, living will, and health care proxy.
- Many estate planning strategies reduce taxes and fees that would otherwise have to be paid upon your death.
- Each strategy has its advantages and disadvantages and may provide various degrees of control over the assets once they leave the estate.
- We should discuss some of these alternatives with your attorney to determine if your wills and other legal documents need updating.

Estate Planning – Alternative Life Expectancy

Louise Dies in 2021; Carl Dies in 2026

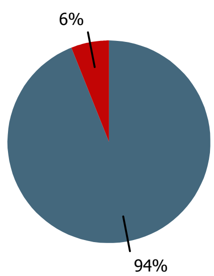
Objective(s)

Estate planning can help minimize estate taxes and maximize the distribution of assets in the event that Louise dies in the year 2021 and Carl dies in the year 2026.

Analysis

Based on our current analysis, at Carl's death in 2026 your estate will distribute **$1,101,644 to your heirs, $0 to charity, and $70,634 to taxes**.

Louise Dies in 2021; Carl Dies in 2026



Net to Heirs (94%)
Total Taxes (6%)

Louise Dies in 2021; Carl Dies in 2026

Net to Charities	$0
Total Taxes	$70,634
Net to Heirs	$1,101,644
Total	$1,172,278

These calculations are based on the current asset mix and rate of return.

Consider the Following

- Regardless of the size of your estate, everyone should have a will, durable power of attorney, medical power of attorney, living will, and health care proxy.
- Many estate planning strategies reduce taxes and fees that would otherwise have to be paid upon your death.
- Each strategy has its advantages and disadvantages and may provide various degrees of control over the assets once they leave the estate.
- We should discuss some of these alternatives with your attorney to determine if your wills and other legal documents need updating.

Estate Planning – Simultaneous Death

Carl Dies in 2010; Louise Dies in 2010

Objective(s)

Estate planning can help minimize estate taxes and maximize the distribution of assets in the event that Carl dies in the year 2010 and Louise dies in the year 2010.

Analysis

Based on our current analysis, at Louise's death in 2010 your estate will distribute **$0 to your heirs, $0 to charity, and $0 to taxes**.

Carl Dies in 2010; Louise Dies in 2010

Carl Dies in 2010; Louise Dies in 2010

Net to Charities	$0
Total Taxes	$0
Net to Heirs	$0
Total	$0

These calculations are based on the current asset mix and rate of return.

Consider the Following

- Regardless of the size of your estate, everyone should have a will, durable power of attorney, medical power of attorney, living will, and health care proxy.
- Many estate planning strategies reduce taxes and fees that would otherwise have to be paid upon your death.
- Each strategy has its advantages and disadvantages and may provide various degrees of control over the assets once they leave the estate.
- We should discuss some of these alternatives with your attorney to determine if your wills and other legal documents need updating.

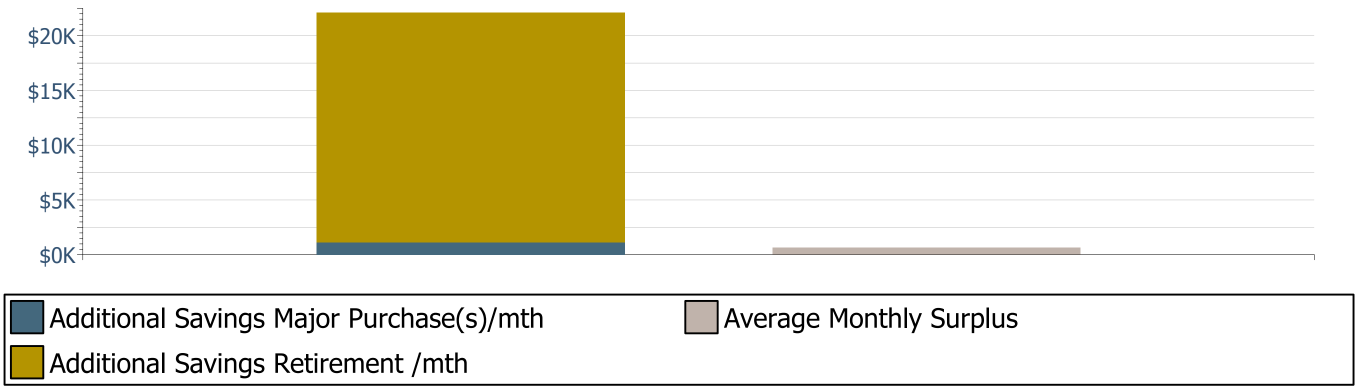
Goal Attainability

Analysis

Based on our assessment, you currently may not have sufficient cash flow resources to meet the additional savings requirements for your goals.

We recommend you review your current cash flow and prioritize your current and future goals appropriately.

The *Average Monthly Surplus* amount shown in the graph below is an average of your cash flow surpluses and/or deficits through the next 5 years. If the final average is a deficit, the graph will show zero.



Additional Savings for Goals:

Retirement	$20,967/month
Major Purchase:	
"Vacation Home"	$1,141/month
Average Monthly Surplus/Deficit*	$644

*Represents your average surplus/deficit over the next 5 years.

These calculations do not take into consideration potential premium increases for additional life insurance, disability insurance and long-term care insurance.

These calculations are based on the current asset mix and rate of return.

Consider the Following

- It is important to balance future goals with current lifestyle needs.
- Assess the priority of future goals based on available cash flow.

Conclusion

Now that you have an overview of your current financial situation, 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.
- **Assess the original objectives** – Are they realistic? Can you afford to implement all of your objectives? What are your priorities? If you are unable to fund all of your objectives, consider alternative goal dates, revised goal amounts, and alternative investment strategies. We will work together in the process.
- **Review various strategies** – This will help you to achieve your goals and determine a time frame for these strategies.
- **Decide on a course of action** – Together, we will evaluate the alternative that is consistent with your objectives and your financial ability.

Appendix A - Personal Information and Assumptions

Personal Information and Assumptions

Client Information

	Client	Co-Client
First Name	Carl	Louise
Last Name	Sample-Retired	Sample-Retired
Current Age	60	58
Projected Life Expectancy	90	90
Current Income	$80,000	$80,000

Objective(s)

Desired Retirement Age	62	60
Include Social Security in Retirement Analysis?	Yes	Yes
Desired Retirement Income (in today's $)	$92,828 (after tax) in the first year of retirement, beginning 2013	

Assumptions

	Pre-Retirement	Post-Retirement	
Average Federal Tax Rate:	22.38%	22.38%	Inflation Rate: 3.00%
Marginal Federal Tax Rate:	28.00%	28.00%	
State Tax Rate:	5.00%	5.00%	

Qualified Investments:

Annual Return Rate for Qualified Investment Assets: 7.29%

Non-Qualified Investments:

Annual Return for New annuity: 3.50%

Annual Return for Joint Savings - Fleet Bank: 6.76%

Annual Return for Louise's Investment - Ridgefield Bank: 6.76%

Annual Return for Vacation Home Savings: 6.56%

Note the following

Inflation represents the rise in prices over time. If an inflation rate has been set for various components of the assessment (such as expenses and incomes), the value of that component will change over time by the inflation rate applied to it. This affects the calculated results of the assessment.

The tax rates defined in the assessment are used to calculate the total taxes. Total taxes are included in expenses to provide the total needs of the assessment, a contributing factor in the calculations of the assessment.

Appendix B - Asset Allocation Details

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.

Tax Considerations

As Legislated (sunset applies)

On December 17, 2010, the U.S. Congress adopted the Tax Relief, Unemployment Insurance Re-authorization and Job Creation Act of 2010 (the Act). This Act extends the Bush era tax cuts for two years. The Act extends the major changes to estate tax, gift tax, and generation-skipping transfer tax (GSTT) which began in the year 2002 and will now continue through 2012. After 2012, the legislation enacted will sunset (or not apply) and revert to 2001 laws.

The changes made to personal and estate taxes (including credits, exemptions, etc.) are being extended through 2012. The exemption is now set at $5 million per person with a maximum tax rate of 35 percent for estate, gift, and generation skipping transfer taxes (GSTT) through 2012 (with the exemption amount being indexed by the cost-of-living adjustment, beginning in 2012).

For 2010 only, an election is available to choose no estate tax and modified carryover basis for estates on or after January 1, 2010 and before January 1, 2011. In this case, a $5 million GSTT exemption is set with a zero percent rate.

Beginning on January 1, 2011, a decedent's portion of unused exemption can be transferred to the surviving spouse; in some cases, alleviating complicated estate planning strategies which are generally required to claim an entire exemption.

Estate and gift taxes have also been reunified. A single graduated rate scale will now be used for both gifts and/or bequests. The maximum gift tax rate was reduced to 35% in 2010 and will continue at that rate through 2012.

On May 28, 2003, the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) was enacted. The JGTRRA provides an acceleration of various income tax provisions of the 2001 Act. In addition, the JGTRRA provides a reduction in the maximum long-term capital gains tax rate and preferential tax treatment for dividend income until 2008. The Tax Increase Prevention and Reconciliation Act of 2005 further extends the provision until the end of 2010, after which the provisions will revert to prior law. The Act of 2010 defers the sunset rule of JGTRRA for two years and long-term capital gains will continue to be taxed at the maximum rate of 15%, as well, dividends paid to individuals are taxed at the same rates as long-term capital gains.

Because of the sunset clause, the provisions in the Act have been extended through 2012; and in 2013, the tax laws revert to those in place in 2001 except where extended by the Pension Protection Act of 2006. For the purposes of your plan, we have illustrated the law as legislated, and the tax law reverting back to 2001 law in the year 2013.

On August 17, 2006, the Pension Protection Act (PPA) of 2006 was signed into law. The PPA permanently extends certain provisions of the EGTRRA. Specifically, the PPA makes permanent contribution limit increases to IRAs and certain employer-sponsored plans, permanently extends the availability of Roth 401(k) and Roth 403(b) plans, and permanently extends the non-taxability of qualified 529 plan distributions.

The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (2010 Tax Relief Act) was signed into law on December 17, 2010. This act extends the provisions of EGTRRA and JGTRRA for an additional two years; through 2012. Provisions of the 2010 Tax Relief Act are scheduled to sunset on December 31, 2012.

Important Terminology

Current plan

The current plan consists of information provided and reviewed by you.

Rate of return (Current - Not Rebalanced)

Current - Not Rebalanced does not rebalance the accounts linked to a goal. Each account linked to a goal maintains a separate rate of return.

Rate of return (Current - Rebalanced)

Current - Rebalanced rebalances the accounts linked to a goal and uses the weighted average rate of return of the linked assets.

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 proposed plan based on the assumptions defined in the proposed scenarios. A goal-based rate of return (assumed asset mix) represents the dollar-weighted average rate of return of the assets linked to that particular goal, based on the assumptions defined in the proposed scenario.

Rate of return (proposed plan)

The dollar-weighted average rate of return of the assets that are used in the assumed/suggested asset mix. This rate of return is the same as the *Rate of return (assumed/suggested asset mix)*.

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.

Unlinked accounts

Unlinked accounts represent all non-qualified accounts that are not linked to a goal. (Qualified accounts are automatically linked to the retirement goal.) Unlinked accounts are assumed to be allocated to the estate.

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

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).

Average tax rate

The assumed average tax rate that is applied against salary, self-employed, Social Security, defined benefit, pension, and other taxable income. The assumed average tax rate is typically less than the marginal tax rate based on the assumption that income is spread over multiple tax brackets.

Community property

In states with community property laws, any property acquired by a married couple residing in a community property state is considered to be equally owned by both parties.

Annuitize

The transition of an annuity contract from the accumulation phase into the income distribution phase. In the income distribution phase the accumulated value of the annuity is distributed via a computed stream of income payments over a duration of time or through varying withdrawals from the annuity.

Inflation rate/Index rate

The rate that dollar values are discounted over time. The rate is measured by an index that indicates the change in the cost of various goods and services as a percentage.

Marginal tax rate

The marginal tax rate is derived from the federal income tax brackets. It is the amount of tax that would be paid on any additional dollars of income. It is applied against interest, dividend (after 2010), royalty, alimony, and short-term capital gains income.

Required minimum distribution (RMD)

The amount required by the IRS to be withdrawn each year from traditional IRAs and employer-sponsored retirement plans, starting on the required beginning date, which generally (but not always) occurs in the year following the year in which the owner turns 70½.

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.

Unlimited marital deduction (UMD)

A provision in the Internal Revenue Code which allows assets owned by the decedent to be transferred to the surviving spouse without incurring estate taxes.

Fixed expenses

Fixed expenses include ongoing expenses that you have determined cannot be easily changed or eliminated, such as basic living expenses or retirement expenses.

Fixed needs

Fixed needs include all your fixed expenses, plus other expenses that have been calculated based on your financial information. These expenses include liability payments, insurance premiums, property taxes, and income taxes.

Lifestyle expenses

The definition of lifestyle expenses includes all expenses entered in the *Cash Flow* category where the type of expense is classified as lifestyle.

Total needs

The definition of total needs includes all fixed needs, all other expenses that are not considered in the fixed needs definition, and total taxes. The total needs in the assessment will account, in part, for expenses that are more discretionary in nature.

Fixed incomes

The definition of fixed incomes includes the pre-tax income from the following income sources; Benefit Formula and Estimate Benefit pensions, income entered with the type *Pension*, Social Security income of the client and co-client (retirement, survivor, and disability benefits), income entered with the type *Salary*, and annuity income (excluding income from annuities with the income option of *Withdrawals as Needed*).

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

CST – Credit shelter trust	**CSV** – Cash surrender value
EOY – End of year	**GSTT** – Generation-skipping transfer tax
ILIT – Irrevocable life insurance trust	**IRD** – Income in respect of a decedent
JGTRRA – Jobs and Growth Tax Relief Reconciliation Act of 2003	**RMD** – Required minimum distribution
SOY – Start of year	**UGMA** – Uniform Gift to Minors Act
UMD – Unlimited marital deduction	**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.

Refer to the Asset Allocation section of this report for details on return rate assumptions used throughout this assessment.

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.

Refer to the Asset Allocation section of this report for details on return rate assumptions used throughout this assessment.

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.

Carl Sample-Retired

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.