

The Retirement Distribution Summary report is geared to clients who are nearing or are at retirement as it provides an in-depth review of the plan's retirement period (including the distribution of income) and focuses on the apparent risks in the clients' current plan and how those risks have been mitigated by strategies implemented in the proposed plan.

# Retirement Distribution Summary



Carl and Louise Sample-Retired  
Ridgefield, Connecticut

Advisor information  
(optional)

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Plan date



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# Introduction

The *Plan Considerations* help to educate clients on the risks they may face in retirement, and when used in combination with the *Questions to explore* allow the advisor to open up a discussion on the benefits of developing a solid financial plan which includes strategies to minimize these risks.

Planning and saving for retirement has been a priority for you. Now you have reached the next step towards retirement: retirement income distribution planning. At this stage, it is important to consider all of the factors that may come into play during your retirement to effectively manage your retirement income.

The following analysis will provide you with insights and tactical ideas designed to help you achieve your retirement goals. The objective is to provide you with a clear plan to manage what should be a wonderful time in your life, one where you can enjoy the fruits of your labor and enjoy a lifestyle that reflects your priorities, goals, and dreams.

As you approach and enter retirement, you need to be as diligent as ever in planning for how you will manage and spend your wealth, and avoid the risks that continue to be inherent in retirement. Specifically, you need to understand and manage the following:

Plan Considerations	Questions to explore
<b>Longevity</b> – Due to significant advances in health care, life expectancy today is longer than ever before. You must ensure that your retirement nest egg is sufficient to last a lifetime.	<i>Will your assets last throughout your retirement years?</i>
<b>Inflation</b> – Inflation can be a subtle but significant adversary in your retirement. As the cost of most goods and services continues to rise each year, you have to be prepared to increase the amount you spend annually just to maintain your lifestyle.	<i>How much is enough and how much will you need?</i>
<b>Overspending</b> – While it may seem that your nest egg is so large it will last indefinitely, you have to establish an annual spending budget to minimize the chances of running out of money.	<i>How much can I spend each year and do I have enough to cover my expenses?</i>
<b>Market risk</b> – Everyone has to address how much risk they can tolerate in their portfolio. During retirement the tendency to take a very conservative approach to investing may or may not be the best course.	<i>How should your assets be invested today and how should that strategy change during your retirement?</i>
<b>Health</b> – Health care costs can be a major expense in retirement, and few people plan for them adequately. Since we face more health issues in retirement and the costs of health care continues to rise, you should carefully identify how you will fund all the health care related expenses that you will assuredly incur.	<i>Can you sustain your retirement if your health care costs rise significantly?</i>

The following analysis is designed to help you answer each of the key questions regarding your retirement plan as well as how you can manage each of these risks. This plan can become the core foundation for your overall income planning and can guide you as you enjoy your retirement.

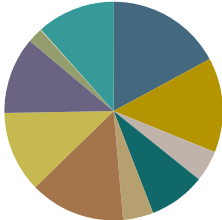
# Assumptions - Current

Identify clients' current position and susceptibility to retirement risks.

The information below represents key assumptions that were used to produce the outcome of your current plan, including the retirement distribution that is expected from this plan.

Assumptions made related to risks that should be recognized in your retirement plan (such as inflation, longevity, spending, and market risk) can significantly affect it. Strategies that have been used to combat the risks that these assumptions may introduce in your plan are discussed in the illustrations of the proposed plan.

**Current Asset Mix**



- Inflation Rate - 3.00%
- Carl's Retirement - 2013 / 62
- Louise's Retirement - 2013 / 60
- Carl's Life Expectancy - 2041 / 90
- Louise's Life Expectancy - 2043 / 90
- Current Asset Mix ROR - 7.16%
- Current Asset Mix Standard Deviation - 11.04%
- Value of Unassigned Accounts - \$310,000

Asset Class	Current Asset Mix	
	(%)	(\$)
Large Cap Growth Equity	17.1	112,000
Large Cap Value Equity	14.0	91,000
Mid Cap Equity	4.6	30,000
Small Cap Equity	8.4	54,500
International Equity	4.5	29,000
Long Term Bonds	14.1	91,500
Intermediate Term Bonds	12.0	78,000
Short Term Bonds	11.4	74,000
High Yield Bonds	2.2	14,250
International Bonds	0.1	500
Cash	11.6	75,250
<b>Total</b>	<b>100.0</b>	<b>650,000</b>

Carl and Louise want to retire at ages 62 and 60, respectively.

Their current asset mix is generating a return of 7.16% and a standard deviation of 11.04%.

**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.

The *Assumptions – Current* page can be used to open up a discussion of reducing market risk, and in particular the risk of having to take a distribution during a downturn in the market, by implementing strategies such as moving to a more conservative asset mix in retirement and/or ensuring that sufficient fixed income resources exist to cover fixed needs.

# Planned Retirement Spending

Fixed versus discretionary expenses

The following table shows the planned expenses in your retirement years.

Expense	Member	Start Date	End Date	Annual Amount	Index Rate	Fixed
Life Insurance	Carl	Jan 1 2010	Never	\$900.00	N/A	Y
Life Insurance	Louise	Jan 1 2010	Never	\$600.00	N/A	Y
Personal Loans	Joint	Dec 31 2010	Nov 30 2014	\$3,000.00	N/A	Y
Housing (e.g. utilities, repairs)	Joint	Jan 1 2011	Aug 31 2013	\$12,000.00	3.00%	Y
Food	Joint	Jan 1 2011	Aug 31 2013	\$6,000.00	3.00%	Y
Transportation (e.g. gas, insurance)	Joint	Jan 1 2011	Aug 31 2013	\$12,000.00	3.00%	Y
Entertainment (e.g. restaurants, movies)	Joint	Jan 1 2011	Aug 31 2013	\$12,000.00	3.00%	Y
Personal (e.g. clothing, hobbies)	Joint	Jan 1 2011	Aug 31 2013	\$18,000.00	3.00%	Y
Other (e.g. child care, travel)	Joint	Jan 1 2011	Aug 31 2013	\$12,000.00	3.00%	Y
LTC Insurance	Carl	Jan 1 2013	Dec 31 2041	\$900.00	5.00%	Y
LTC Insurance	Louise	Jan 1 2013	Dec 31 2043	\$600.00	5.00%	Y
Retirement goal expense	Joint	Sep 1 2013	Dec 31 2043	\$106,938.72	3.00%	Y
Travel	Joint	Sep 1 2013	Aug 31 2023	\$26,734.68	3.00%	Y
Medical expense	Joint	Sep 1 2013	Dec 31 2043	\$5,308.74	3.00%	Y
Burial Expense <sup>1</sup>	Carl	Dec 31 2041	Dec 31 2041	\$15,000.00	0.00%	Y
Lump Sum Need	Joint	Dec 31 2043	Dec 31 2043	\$530,450.00	3.00%	N
Burial Expense <sup>1</sup>	Louise	Dec 31 2043	Dec 31 2043	\$15,000.00	0.00%	Y

<sup>1</sup> Expense is transferred to survivor upon member's death

The following table identifies the fixed expenses in the first year of retirement, the retirement years with the lowest and highest fixed needs as well as the average fixed needs throughout the retirement period.

Fixed Needs in First Retirement Year (yr)	Lowest Fixed Needs in Retirement (yr)	Average Fixed Needs Through Retirement	Highest Fixed Needs in Retirement (yr)
\$155,959 (2013)	\$155,959 (2013)	\$235,870	\$311,982 (2041)

Carl and Louise's current objective is to plan for an average fixed need of approximately \$235,870 (future value) per year.

*Keep in mind.....*  
**Inflation** could erode buying power, and the increasing costs of **Health Care** could increase retirement expenses.

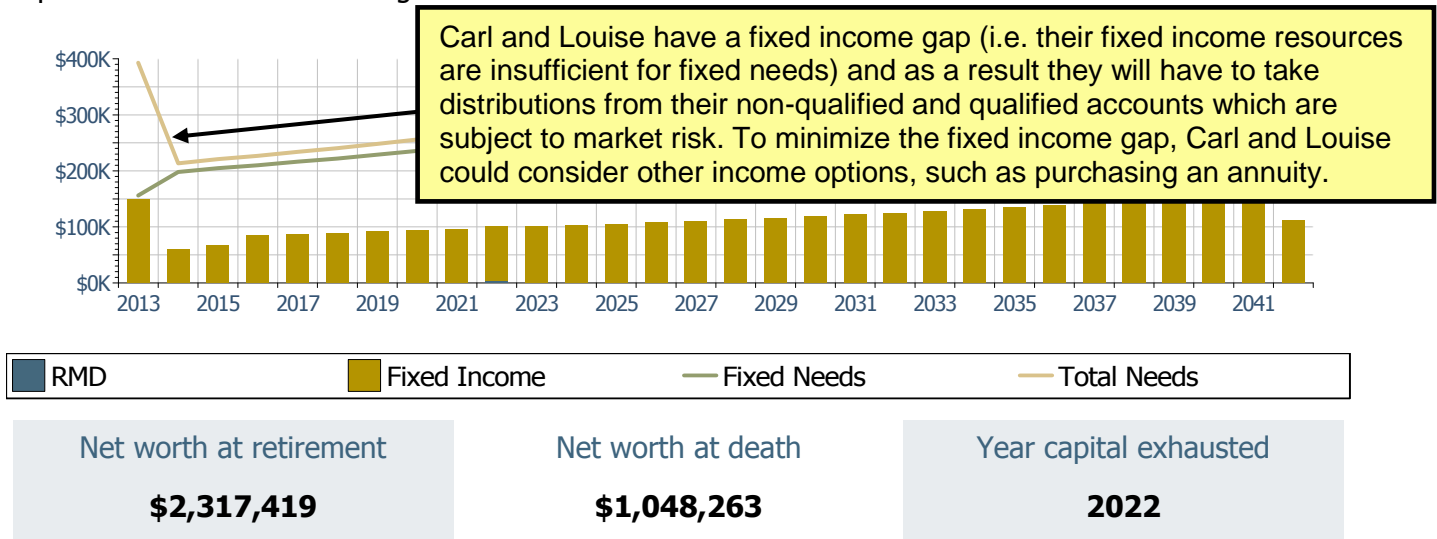


## Fixed Income vs. Retirement Needs

This graph compares your retirement expenses with the fixed incomes you are scheduled to receive. A shortfall will be apparent in this graph when your fixed needs are greater than your fixed incomes.

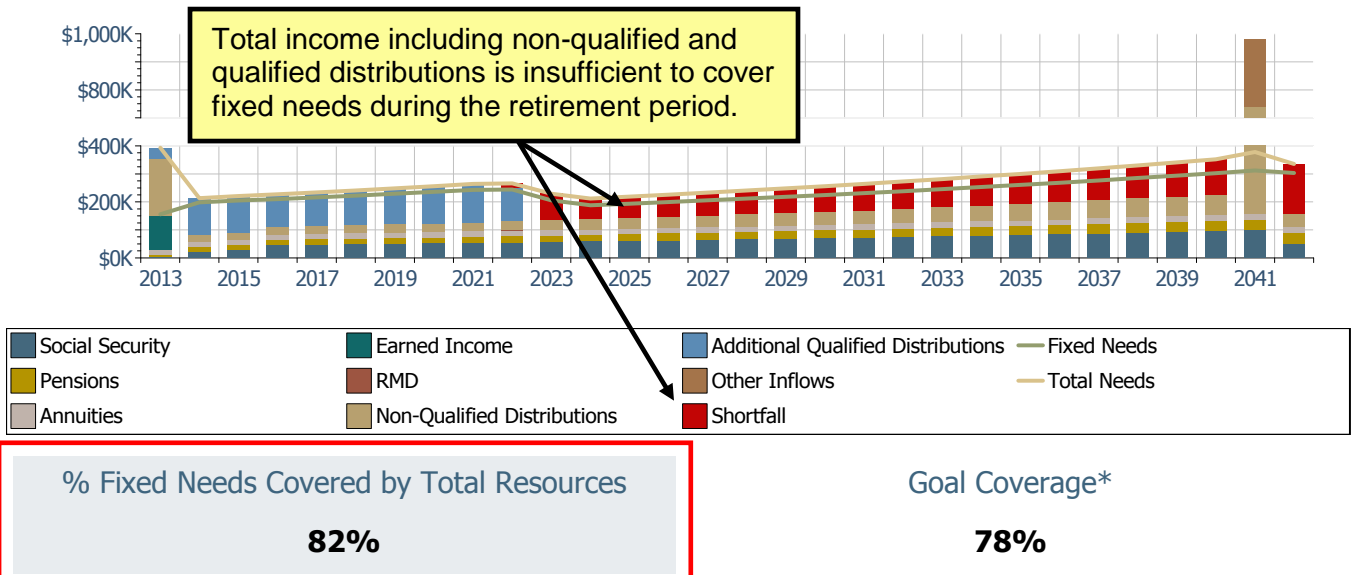
When an income shortfall is apparent between your fixed incomes and your fixed needs you can adopt various strategies: consider another approach to managing your retirement needs, consider ways to increase your fixed incomes to match your fixed needs, or use other variable income sources to fund your planned retirement spending.

Review the *Total Income vs. Retirement Needs* graph to assess what income sources are available to implement one of these strategies.



## Total Income vs. Retirement Needs

This graph outlines your complete retirement income and needs situation by comparing your retirement needs with all available income sources to fund them. A shortfall in your total retirement income situation will exist when the total spending levels exceed the total cash inflows that are available.



\*This value indicates the percentage of your total retirement needs that can be covered by your total retirement resources during your retirement time period.

## Addressing Retirement Risks

As you consider the strategies that can optimize your retirement plan, ensure that the risks that retirees face in retirement have been addressed using suitable planning strategies.

- Addressing the risk of outliving your incomes and assets requires planning for a realistic retirement duration based on your personal life expectancy. Average life expectancies are best derived from general population statistics as well as your family history. The life expectancy assumed in your current retirement plan is 90 for Carl and 90 for Louise.
- The inflation rate that you assume in your retirement plan should be reasonable, as this value may affect the amount of assets and income required to fully fund your retirement needs. If inflation is overstated or understated, it can drastically affect the planning that you've undertaken in your retirement plan. The inflation rate assumed in your current retirement plan is 3.00%.
- Have you considered the amount of risk and variability you can tolerate in your retirement portfolio? Does the inherent investment of your retirement assets suit the needs you have not only leading up to retirement but also when you require income from those assets during retirement? Your current retirement plan has a rate of return on your asset mix for retirement of 7.16%.
- Consider that retirement goals are different for you than for your neighbor. It is important to ensure that your retirement incomes are going to sustain the amount of fixed and discretionary spending that you have accounted for in your retirement plan. If shortfalls between the available income and the needs you have defined exist, it is important to revisit first the discretionary and then the fixed expenses in your retirement plan.
- Have you adequately accounted for rising healthcare costs throughout your retirement plan?

# Proposed

Retiring later, delaying Social Security, earmarking additional funds, and doing some consulting work are examples of strategies that may help Carl and Louise ensure they have sufficient resources throughout their retirement period.

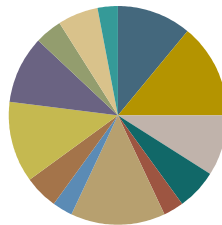
Your proposed retirement plan consists of strategies that will encourage you to move toward an optimal retirement plan that satisfies your goals, but may also address some of the risks faced in retirement.

The information shown in this section highlights the key differences between the assumptions made in your current retirement plan and those applied to your proposed retirement plan.

- Your retirement age has been changed to age 64 for Carl and to age 61 for Louise.
- The start date for Social Security retirement benefits has changed to October 1, 2021 for Carl and October 1, 2023 for Louise.
- \$174,200 is transferred from Joint Savings - Fleet Bank (Non-Qualified) to Joint Savings - Fleet Bank (Non-Qualified) on January 1, 2011.
- Additional annual incomes of \$92,992, which occur throughout the retirement period, have been added to your proposed retirement plan.

## Asset Allocation

Suggested Asset Mix



Rate of Return	8.23%
Standard Deviation	12.98%

Asset Class	Current Asset Mix		Change		Suggested Asset Mix	
	(%)	(\$)	(%)	(\$)	(%)	(\$)
Large Cap Growth Equity	17.1	112,000	-6.1	-11,900	11.0	100,100
Large Cap Value Equity	14.0	91,000		+36,400	14.0	127,400
Mid Cap Equity	4.6	30,000	+4.4	+51,900	9.0	81,900
Small Cap Equity	8.4	54,500	-2.4	+100	6.0	54,600
US REITs			+3.0	+27,300	3.0	27,300
International Equity	4.5	29,000	+9.5	+98,400	14.0	127,400
Emerging Markets Equity			+3.0	+27,300	3.0	27,300
Long Term Bonds	14.1	91,500	-9.1	-46,000	5.0	45,500
Intermediate Term Bonds	12.0	78,000		+31,200	12.0	109,200
Short Term Bonds	11.4	74,000	-1.4	+17,000	10.0	91,000
High Yield Bonds	2.2	14,250	+1.8	+22,150	4.0	36,400
International Bonds	0.1	500	+5.9	+54,100	6.0	54,600
Cash	11.6	75,250	-8.6	-47,950	3.0	27,300
<b>Total</b>	<b>100.0</b>	<b>650,000</b>	<b>+0.0</b>	<b>+260,000</b>	<b>100.0</b>	<b>910,000</b>

**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.

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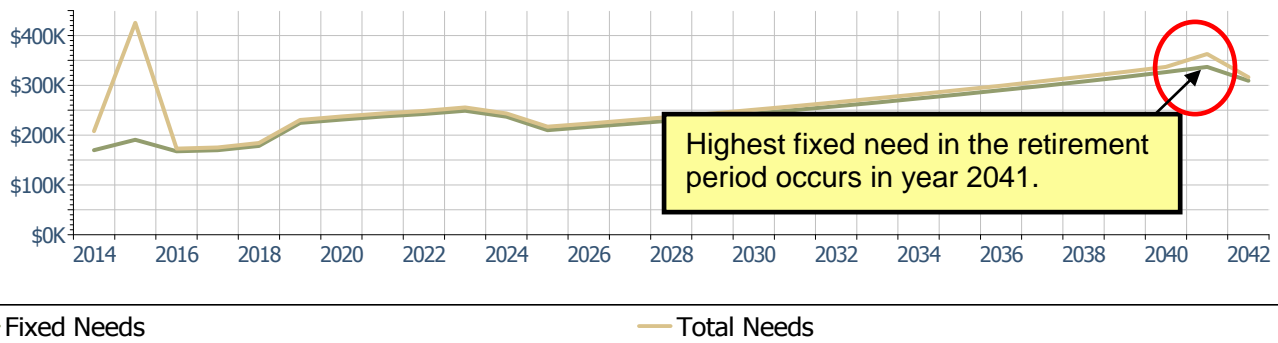
The assessment of your proposed plan results in **100%** coverage of your retirement needs.

Start analyzing the effects of these strategies on your proposed retirement plan by analyzing the changes to your retirement incomes that are available to fund your retirement needs.

## Fixed vs. Total Retirement Needs

It is important to note that your expenses increase each year due to the effects of inflation.

Fixed needs represent those expenses that are required for your basic retirement plans, while total needs also include expenses that are more discretionary, which you might be able to alter if needed.



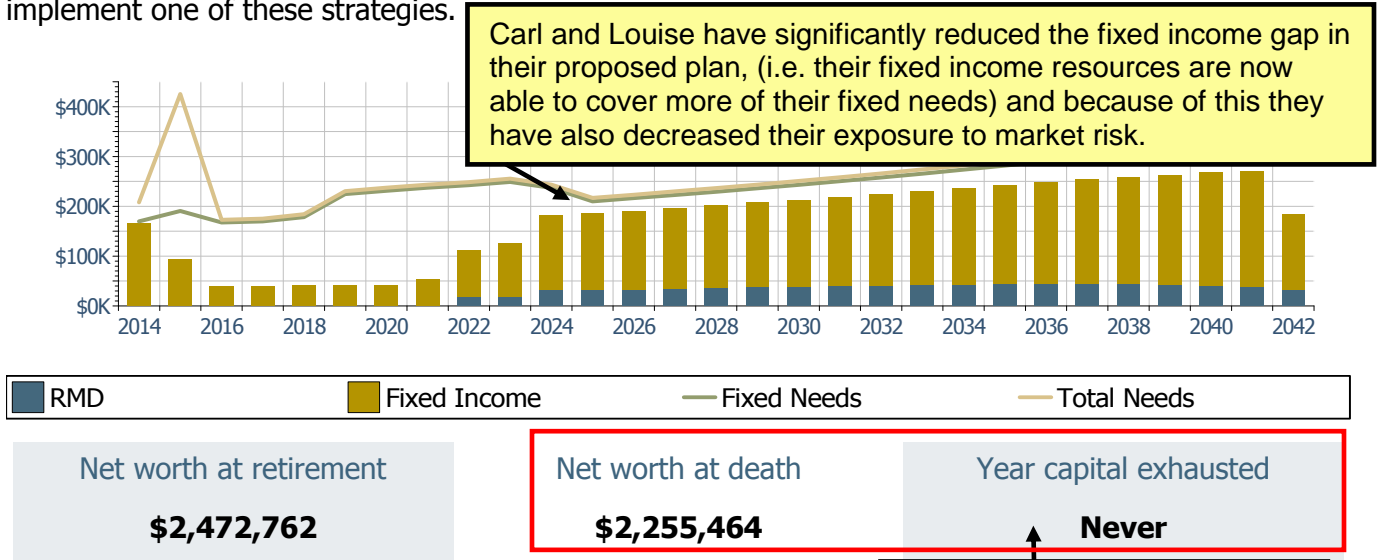
Fixed Needs in First Retirement Year (yr)	Average Fixed Needs	Average Total Needs	Lowest retirement needs	Highest retirement needs
<b>\$169,712 (2014)</b>	<b>\$247,246</b>	<b>\$264,303</b>	<b>\$167,290 (2016)</b>	<b>\$337,048 (2041)</b>

## Fixed Income vs. Retirement Needs

This graph compares your retirement expenses with the fixed incomes you are scheduled to receive. A shortfall will be apparent in this graph when your fixed needs are greater than your fixed incomes.

When an income shortfall is apparent between your fixed incomes and your fixed needs you can adopt various strategies: consider another approach to managing your retirement needs, consider ways to increase your fixed incomes to match your fixed needs, or use other variable income sources to fund your planned retirement spending.

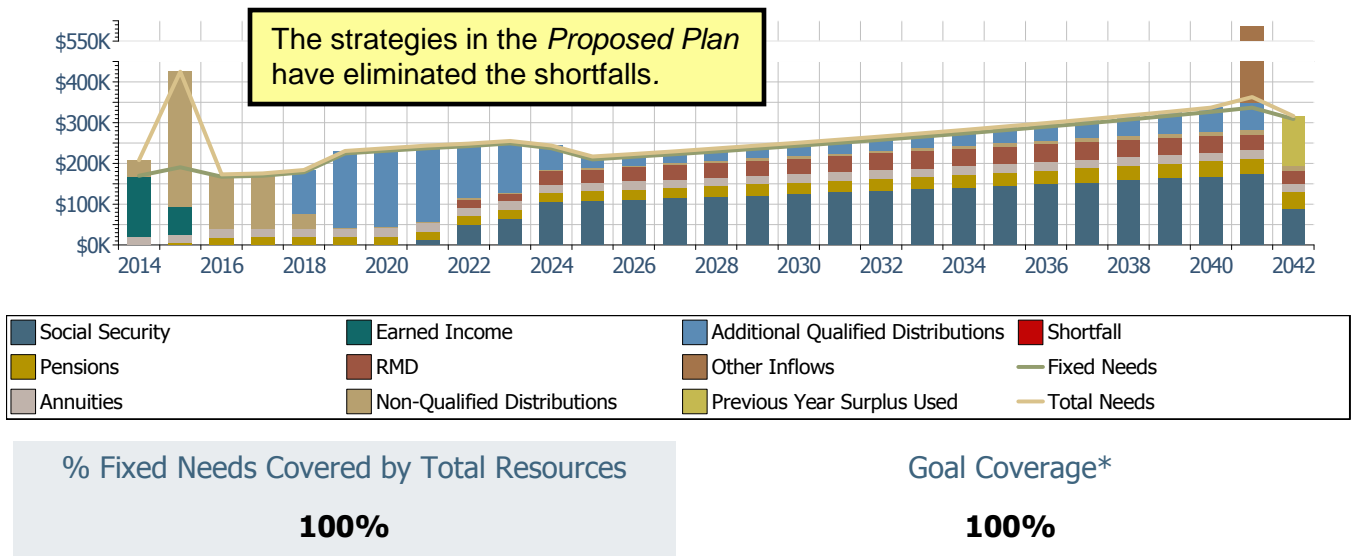
Review the *Total Income vs. Retirement Needs* graph to assess what income sources are available to implement one of these strategies.



Capital resources are available beyond death.

## Total Income vs. Retirement Needs

This graph outlines your complete retirement income and needs situation by comparing your retirement needs with all available income sources to fund them. A shortfall in your total retirement income situation will exist when the total spending levels exceed the total cash inflows that are available.



\*This value indicates the percentage of your total retirement needs that can be covered by your total retirement resources during your retirement time period.

## Addressing Retirement Risks

As you review the strategies that have been recommended for your retirement plan, ensure that the risks that retirees face in retirement have been addressed using suitable planning strategies.

- Life expectancy assumptions can affect the risk of longevity. It is important to ensure your retirement nest egg is built to limit the chance of you outliving your assets. The life expectancy assumed in your proposed retirement plan is 90 for Carl and 90 for Louise.
- The inflation rate you assume on the cost of goods and services can be a risk throughout your life. You must plan prudently for this in retirement because your sources of earning may be less flexible and you must be prepared to increase the amount you spend annually just to maintain your lifestyle. The inflation rate assumed in your proposed retirement plan is 3.00%.
- Establishing a budget for the amount you have available to spend each year, and reviewing that budget annually will help you minimize the risk of overspending and running out of money in retirement.
- You have assessed the amount of risk and variability that is appropriate for your retirement portfolio, which is the first step in addressing market risk during retirement. Another important step in planning an investment strategy that works with your distribution planning is to revisit your asset growth and the types of investments you are using as you move through retirement is also an important step to planning an investment strategy that works with your distribution planning. Your proposed retirement plan has a rate of return on your asset mix for retirement of 8.23%.
- Identifying how you will fund health care related expenses that you may incur during retirement should be a careful consideration when planning for your retirement spending.

Use *Addressing Retirement Risks* to reinforce the value added in the *Proposed Plan* including the value derived from reducing the risks inherent in retirement planning.

# Probability Analysis

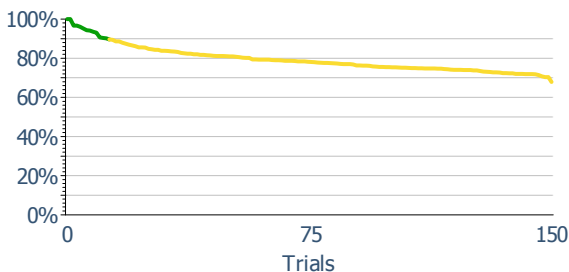
*Probability Analysis* addresses **Market risk**. Recommendations assume a static (deterministic) return rate for investment projections. In reality, the rate of return will fluctuate based on the stock market's behavior.

Due to market variability, it is important to understand the probability distributions. The 150 probability trial results are generated by varying the return rates on available assets, and by determining if the available resources are adequate to cover fixed or total needs.

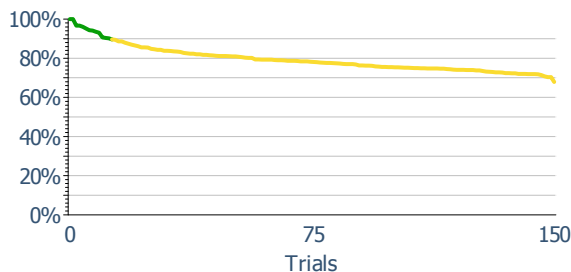
*Probability Analysis* is a scientific measure of market behavior, which uses random (stochastic) return rates throughout the analysis. The following graphs illustrate the probability of covering your retirement needs in the event of market fluctuations.

## Current Plan

### Fixed needs covered by total resources



### Goal Coverage\*



— 90% or more                      — 65% or more, but less than 90%    — Less than 65%

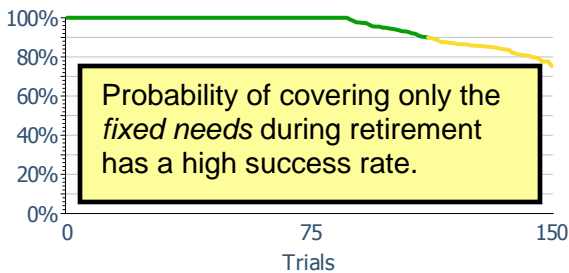
- In 13 trials 90% or more of the goal was covered
- In 137 trials 65% or more, but less than 90%, of the goal was covered
- In 0 trials less than 65% of the goal was covered

- In 13 trials 90% or more of the goal was covered
- In 137 trials 65% or more, but less than 90%, of the goal was covered
- In 0 trials less than 65% of the goal was covered

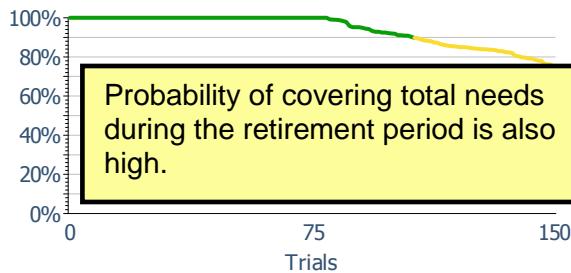
It is projected that the earliest age (year) at which you could not cover your fixed needs is 67 / 67 (2018).

## Proposed Plan

### Fixed needs covered by total resources



### Goal Coverage\*



— 90% or more                      — 65% or more, but less than 90%    — Less than 65%

- In 111 trials 90% or more of the goal was covered
- In 39 trials 65% or more, but less than 90%, of the goal was covered
- In 0 trials less than 65% of the goal was covered

- In 106 trials 90% or more of the goal was covered
- In 44 trials 65% or more, but less than 90%, of the goal was covered
- In 0 trials less than 65% of the goal was covered

It is projected that the earliest age (year) at which you could not cover your fixed needs is 68 / 68 (2019).

\*This value indicates the percentage of your total retirement needs that can be covered by your total retirement resources during your retirement time period.

# Conclusion

Congratulations! You have taken a significant step in planning for what is an amazing transition in your overall financial life – building and saving for a comfortable retirement to enjoying the fruits of your efforts.

Your customized plan also addresses and highlights some of the key risks that face all people during their retirement years. At this point you should:

- review the plan in detail with your advisor
- discuss how this analysis affects your current planning and how you will address your retirement income needs
- define with your advisor the specific, tactical action steps you will take to enhance your savings and income planning situation.

Just as with any strategy or plan, you must be diligent about updating the plan. Working with your advisor, you should review your overall strategy each year. Included in this review should be discussions on any changes in your overall financial situation, health, or other changes that affect your overall spending. The changes can be factored into the plan to help you continually update your strategy.

Prepare next steps and set up next meeting.



## Appendix B - Distribution Schedules - Proposed

Distribution details for the *Recommended (Proposed) Plan*. Details are also available for the current plan, if desired, when generating the report.



# Retirement Income and Expenses

Year-by-year breakdown of income, asset resources, expenses and taxes.

The following report shows the annual sources of income that are used to cover your needs throughout retirement in your Proposed retirement plan.

Year	Age	Social Security	Pensions	Annuities	Earned Income	RMD	Non-Qualified Distributions	Additional Qualified Distributions	Other Inflows	Previous Year Surplus Used	Fixed Needs	Total Needs	Total Taxes	Current Surplus/(Deficit)
2014	63/61*	0	0	20,690	145,697	0	41,476	0	0	0	169,712	207,863	61,143	0
2015	*64/62	0	4,502	20,690	67,531	0	332,503	0	0	0	190,466	425,225	39,929	0
2016	65/63	0	18,548	20,690	0	0	133,706	0	0	0	167,290	172,944	11,891	0
2017	66/64	0	19,105	20,690	0	0	135,577	0	0	0	169,621	175,371	9,650	0
2018	67/65	0	19,678	20,690	0	0	37,701	106,061	0	0	178,283	184,135	13,603	(6)
2019	68/66	0	20,268	20,690	0	0	2,927	186,671	0	0	224,590	230,551	55,060	5
2020	69/67	0	20,876	20,690	0	0	3,098	192,658	0	0	231,246	237,322	56,720	0
2021	70/68	11,933	21,503	20,690	0	0	3,279	186,223	0	0	237,431	243,627	57,759	0
2022	71/69	49,165	22,148	20,690	0	19,775	3,470	133,469	0	0	242,392	248,717	57,420	0
2023	72/70	63,455	22,812	20,690	0	18,742	3,672	125,954	0	0	248,865	255,325	58,434	0
2024	73/71	104,958	23,497	20,690	0	32,003	3,887	58,589	0	0	237,028	243,632	53,310	(9)
2025	74/72	108,106	24,201	20,690	0	32,170	4,114	27,581	0	0	210,101	216,857	45,633	5
2026	75/73	111,350	24,927	20,690	0	33,562	4,354	28,368	0	0	216,333	223,250	47,021	0
2027	76/74	114,690	25,675	20,690	0	34,980	4,608	29,201	0	0	222,757	229,845	48,456	0
2028	77/75	118,131	26,446	20,690	0	36,322	4,877	30,179	0	0	229,376	236,644	49,935	0
2029	78/76	121,675	27,239	20,690	0	37,761	5,161	31,129	0	0	236,196	243,654	51,462	0
2030	79/77	125,325	28,056	20,690	0	39,003	5,463	32,347	0	0	243,223	250,884	53,038	0
2031	80/78	129,085	28,898	20,690	0	40,284	5,782	33,600	0	0	250,464	258,338	54,663	0
2032	81/79	132,957	29,765	20,690	0	41,412	6,119	35,082	0	0	257,926	266,025	56,340	0
2033	82/80	136,946	30,658	20,690	0	42,441	6,476	36,742	0	0	265,614	273,953	58,070	0
2034	83/81	141,054	31,577	20,690	0	43,334	6,854	38,618	0	0	273,536	282,128	59,856	0
2035	84/82	145,286	32,525	20,690	0	44,048	7,254	40,757	0	0	281,699	290,559	61,699	0
2036	85/83	149,645	33,500	20,690	0	44,353	7,678	43,389	0	0	290,111	299,255	63,601	0
2037	86/84	154,134	34,505	20,690	0	44,333	8,126	46,435	0	0	298,779	308,224	65,564	(1)
2038	87/85	158,758	35,541	20,690	0	43,771	8,600	50,114	0	0	307,712	317,474	67,590	(1)
2039	88/86	163,521	36,607	20,690	0	42,677	9,102	54,417	0	0	316,917	327,015	69,681	(1)
2040	89/87	168,426	37,705	20,690	0	40,918	9,633	59,483	0	0	326,402	336,857	71,840	(1)
2041	90/88	173,479	38,836	20,690	0	38,125	10,196	65,696	240,000	0	337,048	362,879	74,939	224,144
2042	--/89	89,886	40,001	20,690	0	32,274	10,791	0	0	122,602	309,014	316,244	40,932	(122,602)
2043	--/90	92,583	41,201	20,690	0	13,097	1,813,653	403,506	160,000	0	418,179	2,018,376	416,570	526,355

\* = Year of retirement

# Required Minimum Distributions

**Minimum distributions** start in year 2022 for Carl and year 2024 for Louise.

The following report illustrates the activity in your qualified accounts throughout your retirement period in your proposed retirement plan. Required minimum distributions and additional qualified distributions provide income that is used to cover your retirement needs.

Year	Ages	SOY Qualified Market Value	Qualified Distributions			Contributions for Qualified Assets	Reinvested Income for Qualified Assets	Qualified Growth	EOY Qualified Market Value
			Client's Minimum Distributions	Co-Client's Minimum Distributions	Additional Qualified Distributions				
2014	63/61*	887,283	0	0	0	20,000	65,060	8,747	976,691
2015	*64/62	976,691	0	0	0	7,200	71,210	9,575	1,064,676
2016	65/63	1,064,676	0	0	0	0	77,247	10,388	1,152,311
2017	66/64	1,152,311	0	0	0	0	83,605	11,243	1,247,159
2018	67/65	1,247,159	0	0	106,061	0	90,486	12,169	1,243,752
2019	68/66	1,243,752	0	0	186,671	0	90,239	12,135	1,159,456
2020	69/67	1,159,456	0	0	192,658	0	84,123	11,313	1,062,234
2021	70/68	1,062,234	0	0	186,223	0	77,069	10,364	963,445
2022	71/69	963,445	19,775	0	133,469	0	69,127	9,298	888,625
2023	72/70	888,625	18,742	0	125,954	0	63,739	8,574	816,242
2024	73/71	816,242	17,682	14,321	58,589	0	57,968	7,799	791,417
2025	74/72	791,417	17,854	14,316	27,581	0	56,160	7,556	795,381
2026	75/73	795,381	18,667	14,895	28,368	0	56,393	7,587	797,432
2027	76/74	797,432	19,499	15,481	29,201	0	56,486	7,600	797,337
2028	77/75	797,337	20,251	16,071	30,179	0	56,427	7,592	794,855
2029	78/76	794,855	21,104	16,656	31,129	0	56,190	7,561	789,716
2030	79/77	789,716	21,850	17,153	32,347	0	55,769	7,504	781,639
2031	80/78	781,639	22,575	17,708	33,600	0	55,132	7,419	770,307
2032	81/79	770,307	23,270	18,142	35,082	0	54,266	7,302	755,381
2033	82/80	755,381	23,916	18,525	36,742	0	53,143	7,151	736,492
2034	83/81	736,492	24,496	18,838	38,618	0	51,737	6,962	713,240
2035	84/82	713,240	24,985	19,063	40,757	0	50,022	6,732	685,189
2036	85/83	685,189	25,180	19,173	43,389	0	47,975	6,457	651,879
2037	86/84	651,879	25,202	19,131	46,435	0	45,559	6,132	612,802
2038	87/85	612,802	25,005	18,766	50,114	0	42,746	5,753	567,416
2039	88/86	567,416	24,525	18,152	54,417	0	39,496	5,316	515,134
2040	89/87	515,134	23,690	17,227	59,483	0	35,772	4,815	455,319
2041	90/88	455,319	22,211	15,915	65,696	0	31,541	4,246	387,284
2042	--/89	387,284	0	32,274	0	0	26,834	3,612	385,457

\* = Year of retirement

Distributions consist of capital withdrawals as well as any investment income that has not been reinvested.

# Net Worth During Retirement

The following report shows the outlook of major net worth components throughout retirement in your proposed retirement plan.

Year	Ages	Non-Qualified Assets	Qualified Assets	Total Lifestyle Assets	Total Liabilities	Accumulated Surplus/(Deficit)	Total Net Worth
2014	63/61*	584,200	976,691	703,581	0	0	2,264,471
2015	*64/62	296,758	1,064,676	943,863	0	0	2,305,297
2016	65/63	188,973	1,152,311	962,740	0	0	2,304,024
2017	66/64	70,542	1,247,159	981,995	0	0	2,299,696
2018	67/65	40,341	1,243,752	1,001,635	0	(6)	2,285,723
2019	68/66	42,695	1,159,456	1,021,668	0	0	2,223,819
2020	69/67	45,188	1,062,234	1,042,101	0	0	2,149,523
2021	70/68	47,825	963,445	1,062,943	0	0	2,074,213
2022	71/69	50,617	888,625	1,084,202	0	0	2,023,444
2023	72/70	53,571	816,242	1,105,886	0	0	1,975,699
2024	73/71	56,698	791,417	1,128,004	0	(10)	1,976,108
2025	74/72	60,007	795,381	1,150,564	0	(5)	2,005,948
2026	75/73	63,510	797,432	1,173,575	0	(5)	2,034,512
2027	76/74	67,217	797,337	1,197,047	0	(5)	2,061,595
2028	77/75	71,140	794,855	1,220,988	0	(5)	2,086,977
2029	78/76	75,292	789,716	1,245,407	0	(5)	2,110,411
2030	79/77	79,687	781,639	1,270,316	0	(5)	2,131,636
2031	80/78	84,338	770,307	1,295,722	0	(6)	2,150,361
2032	81/79	89,261	755,381	1,321,636	0	(6)	2,166,272
2033	82/80	94,471	736,492	1,348,069	0	(6)	2,179,025
2034	83/81	99,985	713,240	1,375,030	0	(6)	2,188,248
2035	84/82	105,821	685,189	1,402,531	0	(7)	2,193,534
2036	85/83	111,997	651,879	1,430,582	0	(7)	2,194,451
2037	86/84	118,534	612,802	1,459,193	0	(8)	2,190,522
2038	87/85	125,453	567,416	1,488,377	0	(8)	2,181,238
2039	88/86	132,775	515,134	1,518,145	0	(9)	2,166,044
2040	89/87	140,525	455,319	1,548,508	0	(10)	2,144,342
2041	90/88	148,727	387,284	1,579,478	0	224,134	2,339,623
2042	--/89	157,408	385,457	1,611,067	0	101,532	2,255,464

Non-Qualified and Qualified assets are not exhausted during the retirement period.

An estate is projected which could necessitate estate planning.

\* = Year of retirement

# Scenario Probability Assumptions

Disclosure of assumptions used in the probability analyses.

The *Plan Probability* graph illustrates the goal coverage percentage for each trial that was generated. When NaviPlan generates the probability analysis it goes through the entire plan from the current plan date through to the set life expectancy date and varies return rates on available assets based on their anticipated average rates of return and standard deviations. NaviPlan then determines the resources available. At this point, NaviPlan determines if the available resources are adequate to cover the need (essentially, the goal expense) and it draws down on the available assets where appropriate. NaviPlan displays its findings by giving a percentage that illustrates how much of the goal is covered. The percentage equals the *ability to cover the total needs* divided by *the total needs*, where both *the ability to cover total needs* and *the total needs* are adjusted for inflation.

In this assessment, the *% Total Needs Covered By Total Resources* option is shown, and NaviPlan determines if the resources available will cover the total needs of the goal, where *total needs* equals all fixed and discretionary expenses (fixed expenses may also include implicit expenses such as loan payments, life insurance premiums and income taxes).

## Assumptions

The following information lists the assumptions used during the generation of the *Scenario Probability* results located on the *Scenarios* pages and in the Variability section.

**Life Expectancy** is **not** randomized. All projections will end at age 90 for Carl and age 90 for Louise.

**Full Deficit Coverage** is not active for the plan. This means that in the pre-retirement period of the analysis, assets are not redeemed to cover periodic expenses and taxes.

The **Number of Projections** is the number of trials of your analysis that the software projects using random rates of return. A total of 150 trials have been generated.

**Rate of Return Randomization** indicates that a random number was generated (this process is repeated with a different random number for every projection) to determine a rate of return based on the standard deviation for each asset class assigned to your accounts. (The assumption is that all returns are normally distributed. This means that approximately 68% of the results are within one standard deviation above or below the *Rate of Return* and approximately 95% of the results are within two standard deviations). This calculation is repeated for every account in the analysis.

**Please Note:** The results of each projection will vary with each use and over time.

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

# Important Terminology

Explanation of terms used throughout the report.

## **Current plan**

The current plan consists of information provided and reviewed by you and serves as the basis for some of the assumptions used in the proposed plan.

## **Proposed plan**

The proposed plan is a system-generated plan that is calculated based on achieving your stated goals by applying the additional assumptions contained within the proposed scenarios.

## **Scenarios**

A scenario is a modification of assumptions based on the current plan. A proposed scenario is incorporated into the proposed plan.

## **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 (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 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.

**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).

**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.

## **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.

## **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 plan 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.

## **LargeCap Equity – Russell 1000® Index**

The Russell 1000 Index is a large-cap index consisting of the 1,000 largest companies in the Russell 3000 Index, representing approximately 92% of the total market capitalization of the Russell 3000. As of January 2011, the average market capitalization was approximately \$82.342 billion; the median market capitalization was approximately \$5.431 billion.

## **LargeCap Growth Equity – Russell 1000® Growth Index**

The Russell 1000 Growth Index contains those Russell 1000 securities with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

## **LargeCap Value Equity – Russell 1000® Value Index**

The Russell 1000 Value Index contains those Russell 1000 securities with a less-than-average growth orientation. Securities in this index generally have lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

### **MidCap Equity – Russell Midcap ® Index**

The Russell Mid Cap Index consists of the smallest 800 companies in the Russell 1000 index, as ranked by total market capitalization. This midcap index represents approximately 27% of the Russell 1000 total market capitalization. As of January 2011, the average market capitalization was approximately \$8.051 billion; the median market capitalization was approximately \$4.285 billion. The largest company in the index had an approximate market capitalization of \$21.237 billion.

### **SmallCap Equity – Russell 2000 ® Index**

The Russell 2000 Index is a small-cap index consisting of the smallest 2,000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. As of January 2011, the average market capitalization was approximately \$1.268 billion; the median market capitalization was approximately \$0.513 billion. The largest company in the index had an approximate market capitalization of \$5.100 billion.

### **International Equity – MSCI EAFE® Index**

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of January 2011 the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

### **International Emerging Markets Equity – MSCI Emerging Markets Index**

THE MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of January 2011 the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

### **Domestic REITs – FTSE NAREIT All Equity REITs Index**

The FTSE NAREIT All Equity REITs Index is an index of publicly traded REITs with 75% or greater of their gross invested book assets invested directly or indirectly in the equity ownership of real estate. Additionally, 75% or more of gross income must come from real estate related services, such as rents from real property or interest on mortgages financing real property.

### **High Yield Bonds – Barclay's High Yield Index**

The U.S. Corporate High-Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. A small number of unrated bonds are included in the index; to be eligible they must have previously held a high-yield rating or have been associated with a high-yield issuer, and must trade accordingly. The index excludes Emerging Markets debt.

### **Bonds – Barclay's U.S. Aggregate Bond Index**

The BarCap U.S. Aggregate Bond Index covers the USD-denominated, investment-grade, fixed rate, taxable bond market of SEC-registered securities. Investment grade classification is determined by the middle rating of Moody's Investor's Service, Standard and Poor's ® Corporation, and Fitch Investor's Service bond quality ratings. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors. Bonds or securities included must be fixed rate, although they can carry a coupon that steps up or changes according to a predetermined schedule.

### **Cash – Citigroup US Domestic 3 Month T-Bill**

The objective of this benchmark is to reflect the returns provided by the short term fixed income instruments. The index is based on the U.S. 3 month Treasury Bills. This index measures monthly return equivalents of yield averages that are not marked to market. Calculations are based on the last 3, 3-month T-Bill issues. Returns for this index are then calculated on a monthly basis.

### **International Bonds – Citigroup WGBI Non-US**

The objective of this benchmark is to reflect the returns provided by investment in international (non U.S.) fixed income securities. The World Government Bond Index is a market-capitalization weighted benchmark that tracks the performance of fixed-rate sovereign debt issued in the domestic market in the local currency with at least one year maturity. The minimum credit quality required is BBB-/Baa3 (by either S&P or Moody's) for all issuers to ensure that the WGBI remains an investment-grade benchmark.

### **Long-Term Bonds – US Long-Term Government Bonds**

The objective of this benchmark is to measure the returns of long-term bonds. To the greatest extent possible the total returns are calculated for each year on a single bond issued by the United States 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 – US Intermediate Term Government Bonds**

The objective of this benchmark is to measure the returns of intermediate-term bonds. As with long-term government bonds, one-bond portfolios are 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. Monthly returns are computed. Bonds with impaired negotiability or special redemption privileges are omitted, as are partially or fully tax-exempt bonds starting in 1943.

### **Short-Term Bonds – US 1-Year Government Bonds**

The objective of this benchmark is to reflect the returns provided by the short-term fixed income instruments. Yields on Treasury securities at "constant maturity" are interpolated by the U.S. Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 3 and 6 months and 1, 2, 3, 5, 7, 10, 20, and 30 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity.

### **Important acronyms**

<b>SOY</b> – Start of year
<b>EOY</b> – End of year
<b>RMD</b> – Required minimum distribution
<b>ROR</b> – Rate of return

# Disclaimer

To satisfy compliance needs, the report includes standard disclaimer information which can be customized to meet an organization's needs.

**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 analysis are based on information provided and reviewed by you. Please review all assumptions in the Plan Data Summary section before reviewing the rest of the report to ensure the accuracy and reasonableness of the assumptions. 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 analysis. Any inaccurate representation by you of any facts or assumptions used in this analysis 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 analysis, 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 analysis 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 planning 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 analysis 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 analysis 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 analysis. Historical data is used to produce future assumptions used in the analysis, 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 analysis 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 analysis 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 analysis.

### *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 analysis.

#### *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. Please review the tax assumptions outlined in the Plan Data Summary section of this report for more specific information regarding tax assumptions used in the calculations.

#### *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. Please review all assumptions in the Plan Data Summary section of this report to assess the reasonableness of the assumptions associated with any variable products used in the calculations.

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.