

The *Financial Needs Assessment* report is a quick and effective disturbance report. It is an excellent way to qualify or engage existing clients or prospects in doing more planning.

The report summarizes the clients' **current** financial position and emphasizes the need for financial planning and further analysis.

NaviPlan

Financial Needs Assessment

Joe and Jane Sample Client

Ridgefield, Connecticut

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July 15, 2009

A professional cover page personalized for your clients.

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

IMPORTANT: *The projections 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 a discussion of several specific limitations of the projections of financial models in general and of NaviPlan® specifically.

The Projections Contained in this Report are, in part, dependent on Personal Data that You Provide

The assumptions used in this assessment are based on information provided and reviewed by you. Those 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 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 projections made in this assessment are hypothetical, do not reflect actual investment results, and are not guarantees of future results.

Current Plan

The Current Plan consists of information provided and reviewed by you.

Assumed rate of return (current)

The dollar-weighted average rate of return of the assets in the Current Plan. A goal-based assumed rate of return (current) represents the dollar-weighted average rate of return of the assets linked to that particular goal.

Assumed rate of return (proposed)

The dollar-weighted average rate of return of the assets in the Proposed Plan based on the assumptions defined in the proposed/recommended scenarios. Based on the assumptions, the rate of return may or may not equal the proposed rate of return. A goal-based assumed rate of return (proposed) represents the dollar-weighted average rate of return of the assets linked to that particular goal based on the assumptions defined in the proposed/recommended scenario.

Current asset mix

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

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.

Inflation 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.

Effective Marginal Tax Rate

This combined federal and state marginal tax rate is the actual percent of total additional tax triggered by an additional dollar of ordinary income. It takes into account the impact of an extra dollar on taxes that results from such items as taxable social security, capital gains and credits.

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.

Overview

The Overview page provides a high-level summary of the clients' current financial situation. The bold type and symbols highlight areas of opportunities and of financial concern.

The following report is an assessment of your current financial position. Throughout this report, you may find the following symbols:

S = Opportunity

✓ = Success

X = Problem

In performing this assessment, we have made the following observations:

Net Worth and Cash Flow

S You have a **net worth of \$2,830,500** and you currently have a cash flow surplus of approximately **\$51,710** in 2006.

Retirement

X Additional savings of **\$1,294 per month**, or a **lump sum of \$135,686**, may be required to meet the Retirement goal.

Kathy's Education

X Additional savings of **\$1,068 per month**, or a **lump sum of \$60,980**, may be required to meet the "Kathy's Education" goal.

Charles' Education

X Additional savings of **\$798 per month**, or a **lump sum of \$65,107**, may be required to meet the "Charles' Education" goal.

Family European Vacation

X Additional savings of **\$104 per month**, or a **lump sum of \$9,984**, may be required to meet the "Family European Vacation" goal.

Disability Insurance – If Joe were Disabled

X If Joe becomes disabled at the start of next year, deficits may occur. The average monthly deficit is projected to be **\$1,468**, and the largest annual deficit is projected to be **\$100,191**.

Life Insurance – If Jane Dies

- ✘ If Jane dies at the end of the current year, Joe may require additional capital of **\$830,000** to meet ongoing needs.

Estate Planning – Joe Dies in 2016 and Jane Dies in 2021

If Joe dies in 2016, and Jane dies in 2021, at Jane's death in 2021 the estate will distribute \$3,127,400 to heirs, \$0 to charity, and \$5,042,935 to taxes.

Goal Attainability

- ✔ It appears you currently have sufficient cash flow resources to meet the additional savings requirements for your goals.

See Goal Attainability on page 14 for a starting or ending point to facilitate further planning discussions around opportunities/concerns in the clients' cash flow.

Current Financial Position

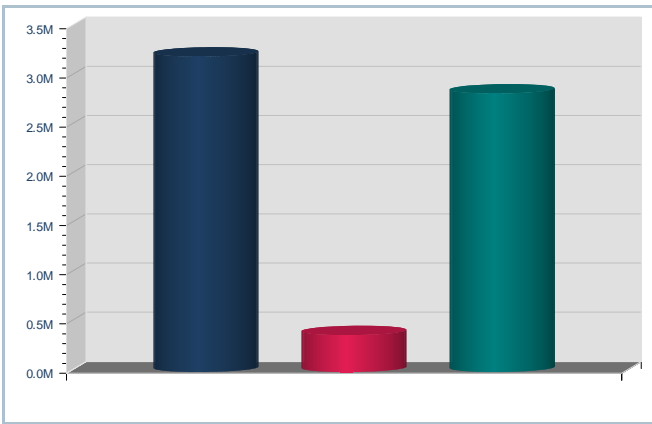
Use the bold text and the color graphs to draw attention to opportunities or concerns in the clients' current financial position.

Analysis

To determine your Net Worth we take the current value of all of your assets, and then subtract the current value of all of your liabilities. Based on the information you have provided, your **Current Net Worth is \$2,830,500**.

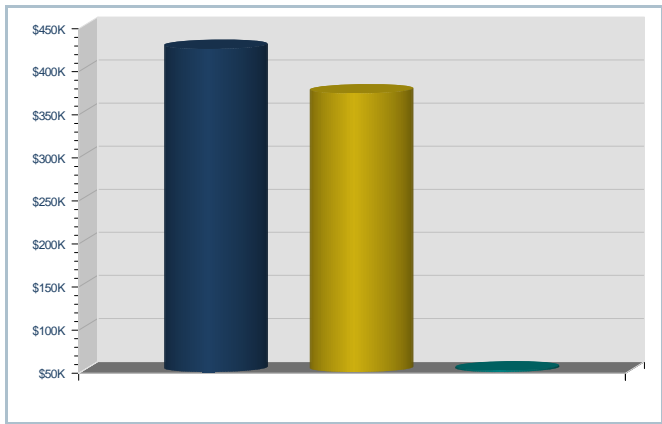
We have also evaluated your current Cash Flow position. We determine your cash flow surplus or deficit by adding together all of your cash inflows, then subtracting all of your cash outflows, which include lifestyle expenses, savings, and taxes. Based on the information you have provided, you currently have a **cash flow surplus of \$51,710 in 2009**.

Net Worth



■ Assets ■ Liabilities ■ Net Worth

Cash Flow



■ Incomes ■ Outflows ■ Surplus

Net Worth

Qualified Assets	\$1,075,000
Non Qualified Assets	\$380,500
Lifestyle Assets	\$1,750,000
Liabilities	(\$375,000)
Net Worth	\$2,830,500

Cash Flow

Income	\$425,178
Lifestyle Expenses	\$172,319
Savings	\$55,178
Taxes	\$145,970
Surplus	\$51,710

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.

This table captures the data entered on the *Financial Picture* page. It displays the clients' resulting net worth and cash flow surplus or deficit position for the current year.

Notes

Retirement

Joe and Jane plan to retire in 2018.

Objectives

Joe plans to retire in the year 2018 at age 62. Jane plans to retire in the year 2018 at age 60. Your retirement income goal in the year 2018 is \$215,000 per year, in today's dollars.

Analysis

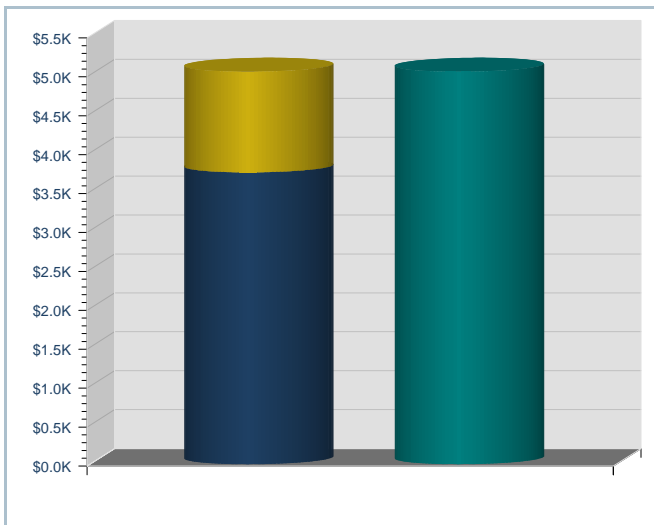
Based on our assessment, you may not have sufficient savings strategies in place, or sufficient capital allocated, to meet your retirement goal.

To meet your retirement goal you need to save an **additional \$1,294 per month** or allocate an **additional \$135,686 today**, at 7.83%.

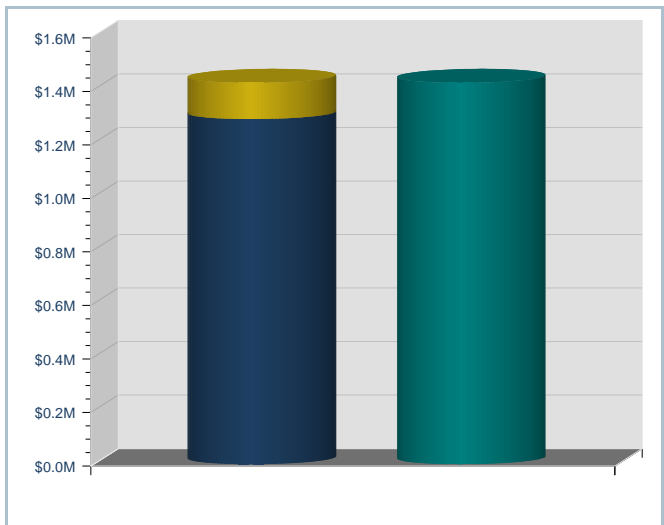
The lump sum savings needed.

The monthly savings needed.

Monthly Savings for Retirement



Capital for Retirement



■ Current Savings ■ Total Savings Required
■ Additional Savings Required

■ Capital Currently Allocated ■ Total Capital Required
■ Additional Capital Required

Average Monthly Savings	\$3,750*
Assets Currently Allocated	\$1,290,000
Assumed Rate of Return	7.83%
Additional Savings Required	\$1,294/month
or	
Additional Capital Required	\$135,686

*May include surplus savings.
 These projections are based on current asset mix and rate of return.

Use this amount to encourage the clients to open up about held away assets.

Consider the Following

- The additional required monthly savings amount is based on savings to non-qualified assets.
- Maximize contributions to tax-advantaged qualified IRA.
- If you have investment surplus...

Joe and Jane could meet this additional savings need because they have an average monthly surplus of \$6,494 (see Goal Attainability on page 14).

Education

Objectives

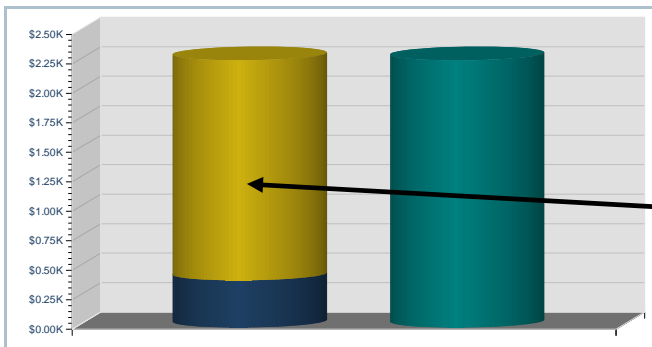
You want to accumulate sufficient assets to fund your education goals for 7 years at a total cost of \$359,371, in today's dollars, beginning in the year 2009.

Analysis

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

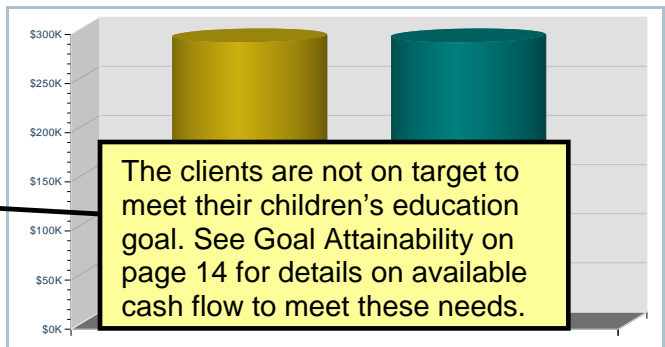
To meet your goals you would need to save an **additional \$1,866 per month** or allocate an **additional \$126,087 today**, at 6.00%.

Monthly Savings



Current Savings
 Total Savings Required
 Additional Monthly Savings

Capital Allocated



Current Capital
 Total Capital Required
 Additional Capital Required

Goal	Average Monthly Savings	Current Capital	Rate Return	Additional Savings Required		Additional Capital Required
Kathy's Education	\$200 /month	\$88,608	6.00%	\$1,068 /month	or	\$60,980
Charles' Education	\$200 /month	\$75,545	6.00%	\$798 /month	or	\$65,107

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

Key amounts to achieve 100% goal success.

Consider the Following

- Determine realistic values for tuition and related college expenses. Factor in the effects of inflation. College costs have historically increased at a significantly higher rate than inflation.
- Invest regularly for your children's education, starting as early as possible.
- Where possible, take advantage of educational savings vehicles such as Coverdell ESAs, 529 Plans, UTMA accounts and UGMA accounts.

Notes

Use this informational text to start a discussion about tax-advantaged investment vehicles to help achieve the education goals.

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Major Purchase

Objectives

The major purchase goal date.

You want to purchase a Family European Vacation in 8 years, in the year 2017, for the amount \$45,000, in today's dollars.

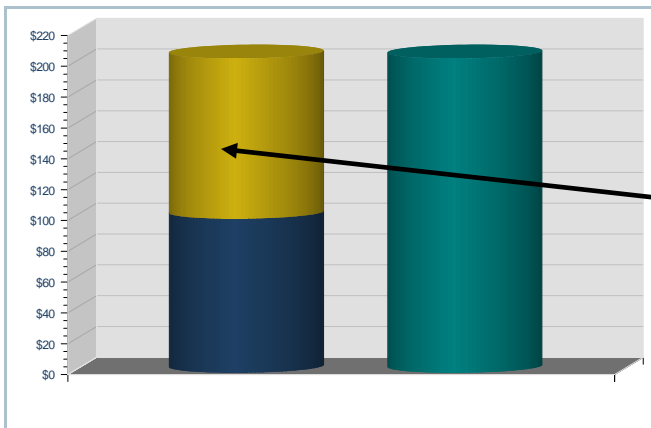
Analysis

The cost in today's dollars.

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

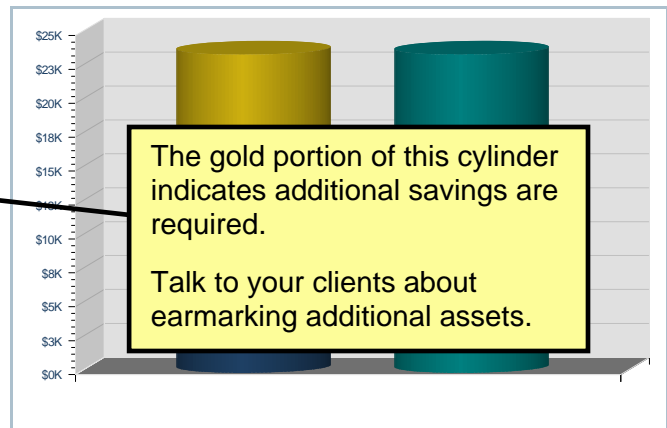
To meet your goal you would need to save an **additional \$104 per month** or allocate an **additional \$9,984 today**, at 6.00%.

Monthly Savings



■ Current Savings ■ Total Savings Required
■ Additional Monthly Savings

Capital Allocated



The gold portion of this cylinder indicates additional savings are required.

Talk to your clients about earmarking additional assets.

■ Current Capital ■ Total Capital Required
■ Additional Capital Required

Goal	Average Monthly Savings	Current Capital	Rate Return	Additional Savings Required		Additional Capital Required
Family European Vacation	\$100 /month	\$13,477	6.00%	\$104 /month	or	\$9,984

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

Consider the Following

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

Notes

If your clients are overfunded in another goal, those excess funds could be used to help meet this goal.

Disability Insurance - Joe

Objectives

To ensure there is sufficient income replacement to maintain your desired lifestyle, should Joe become disabled.

Analysis

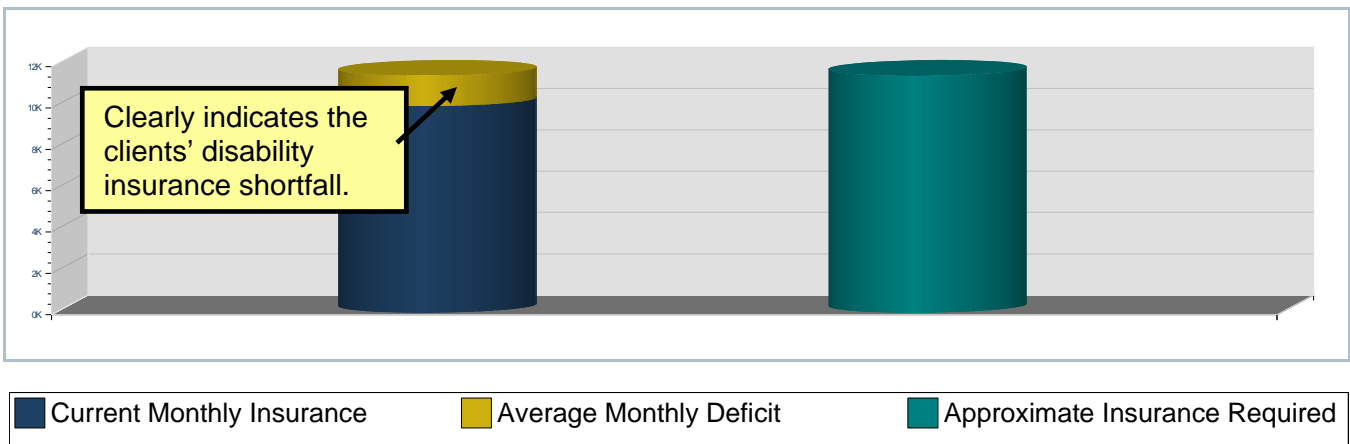
The average monthly deficit if Joe is disabled.

Based on our assessment from now until you retire in the year 2018, you may experience deficits that average \$1,468 per month, with the largest annual deficit being \$100,191.

Increasing your coverage by \$1,468 per month can help eliminate these deficits.

Depending on the circumstances, you may or may not be able to purchase this amount of disability insurance.

If Joe becomes Disabled



If Joe becomes Disabled

Current Monthly Disability Insurance	\$10,000
Average Monthly Deficit	\$1,468
Approximate Monthly Disability Insurance Required*	\$11,468

*Dependent on the client's ability to purchase additional coverage. These projections are based on a 4% assumed return rate assigned to your current portfolio.

The additional monthly disability insurance required.

Consider the Following

- You may not want to rely solely on group policies at work. Should you change jobs or your employer change to another insurer, you may no longer be eligible for group benefits.
- Review your existing policy's monthly disability benefit, definition of disability, waiting period, and duration of benefits.
- Review the coverage periodically and adjust it according to changes in your income and expenses.

Educate the clients about the different types of disability policies and their benefits.

Notes

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Life Insurance - Joe

Objectives

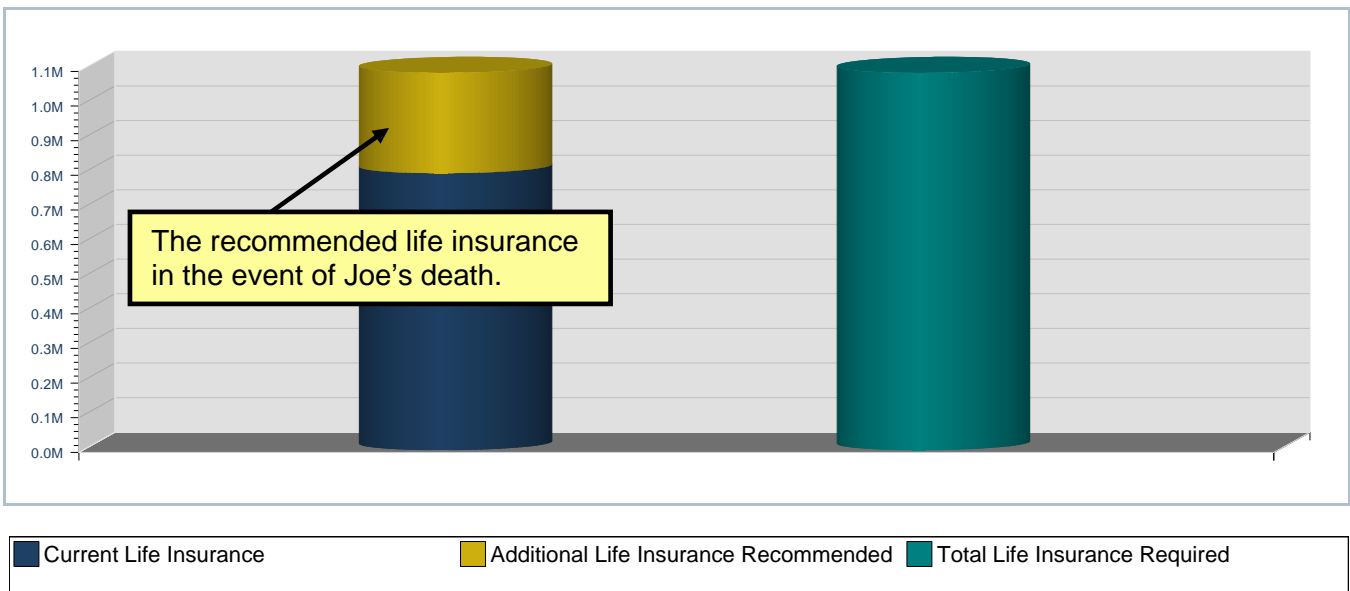
In the event of Joe's death you want to ensure that Jane has enough income and capital to cover the family's expenses and to fund your education and major purchase goals.

Analysis

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

Increasing your **Life Insurance coverage by \$290,000** can help reduce this shortfall.

If Joe Dies



If Joe Dies

Total Coverage Needed	\$1,090,000
Current Life Insurance Owned	\$800,000
Additional Life Insurance Required	\$290,000

These projections are based on the average weighted return rate assigned to your current portfolio.

Consider the Following

- You may not want to rely only on group policies, as you may change jobs or your employer could change to another insurer where you may no longer be eligible.
- 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.

Joe and Jane may have held away assets or income streams that might lower this insurance need. This could lead to a discussion about estate planning and a subsequent transfer of assets to your firm.

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Estate Planning

This particular *Financial Needs Assessment* report assumes a *Simple Will* scenario, whereby assets owned by Joe pass automatically to Jane via the unlimited marital deduction.

Joe dies in 2016, Jane dies in 2021

Objectives

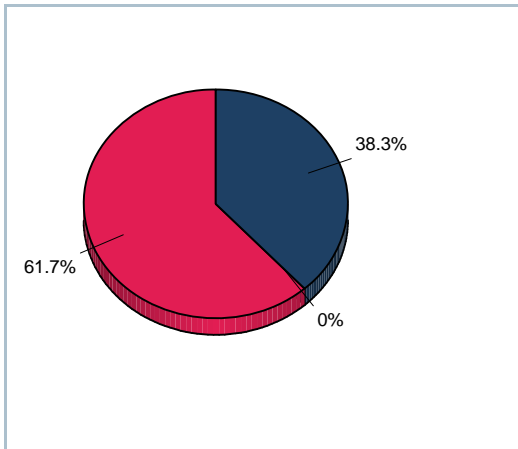
Minimize estate taxes and maximize distribution of assets in the event that Joe dies in the year 2016 and Jane dies in the year 2021.

Analysis

Based on our current analysis at Jane's death in 2021 your estate will distribute **\$3,127,400 to your heirs, \$0 to charity, and \$5,042,935 to taxes.**

Provide advice around lowering estate taxes and transferring more to heirs by simply promoting the Financial Assessment to a higher level. This allows for more advanced estate planning strategies.

Joe dies in 2016 Jane dies in 2021



- Net to Heirs (38.3%)
- Net to Charity (0%)
- Total Taxes (61.7%)

Joe dies in 2016, Jane dies in 2021

Net to Charities	\$0
Total Taxes	\$5,042,935
Net to Heirs	\$3,127,400
Total	\$8,170,335

These projections are based on 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 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.

Notes

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Goal Attainability

Analysis

Based on our assessment, it appears you currently have sufficient cash flow resources to meet the additional savings requirements for your goals.

The Goal Attainability page is an ideal place to wrap up your discussion. It compares the additional savings required to meet all the clients' goals with their cash flow situation, and identifies whether they can support increased savings strategies. This page can lead to additional planning opportunities or perhaps a revision of the clients' objectives.



■ Additional Savings Major Purchase(s) /mth
 ■ Additional Savings Retirement /mth
■ Additional Savings Education /mth
 ■ Average Cash Surplus

Additional Savings for:	
Retirement	\$1,294/month
Education:	\$1,866/month
Major Purchase:	\$104/month
Average Monthly Surplus/Deficit*	\$6,494

*Represents your average surplus/deficit over the next 5 years. These projections do not take into consideration potential premium increases for additional Life Insurance, Disability Insurance and Long Term Care Insurance. These projections are based on the average weighted return rate assigned to your current portfolio.

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.

A summary of the additional savings needed to achieve the clients' goals.

Joe and Jane have a **surplus**. Client data entered in the Financial Assessment (pre-planning level) can be promoted to a higher level to provide a more in-depth analysis.

Notes

Conclusion

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

1. **Review this document** and ensure you understand the information contained in the report. Be sure to ask us questions on areas that need clarification.
2. **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.
3. **Review various strategies** that will help you to achieve your goals and determine a time frame for these strategies.
4. **Decide on a course of action.** Together, we will evaluate the alternative that is consistent with your objectives and your financial ability.

Notes

Prepare next steps and set up next meeting.