



# ***Financial Needs Assessment***

**Joe and Jane Sample Client**

Ridgefield, Connecticut

Prepared by: Linda Hamilton

Hamilton & Associates

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# Disclaimer

**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.

### *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 is 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.

### ***Discussion 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 projections contained in the report utilize the information that you have provided and reviewed including, but not limited to, your age, 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® Projections 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 projections produced by **NaviPlan®** less useful.

# Important Terminology

## ***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.

## ***Asset Class***

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

## ***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.

### ***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.


### ***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

# Overview

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


 = Opportunity

 = Success


 = Problem

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


## Net Worth and Cash Flow

 You have a **net worth of \$2,838,500** and you currently have a cash flow surplus of approximately **\$52,765** in 2006.


## Retirement

 Additional savings of **\$1,330 per month**, or a **lump sum of \$136,970**, may be required to meet the Retirement goal.


## Kathy's Education

 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

 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


 Additional savings of **\$121 per month**, or a **lump sum of \$11,912**, may be required to meet the "Family European Vacation" goal.

## Disability Insurance – If Joe were Disabled

 If Joe becomes disabled at the start of next year, deficits may occur. The average monthly deficit is projected to be **\$1,441**, and the largest annual deficit is projected to be **\$89,438**.


## Disability Insurance – If Jane were Disabled

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-  If Jane becomes disabled at the start of next year, deficits may occur. The average monthly deficit is projected to be **\$1,242**, and the largest annual deficit is projected to be **\$74,154**.


## Life Insurance – If Joe Dies

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-  If Joe dies at the end of the current year, Jane may require additional capital of **\$330,000** to meet ongoing needs.

## Life Insurance – If Jane Dies

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-  If Jane dies at the end of the current year, Joe may require additional capital of **\$1,320,000** to meet ongoing needs.


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

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If Joe dies in 2016, and Jane dies in 2021, at Jane's death in 2021 the estate will distribute \$4,383,362 to heirs, \$0 to charity, and \$3,790,775 to taxes.

## Goal Attainability

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

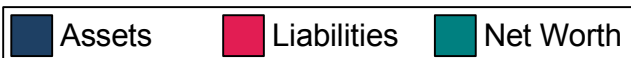
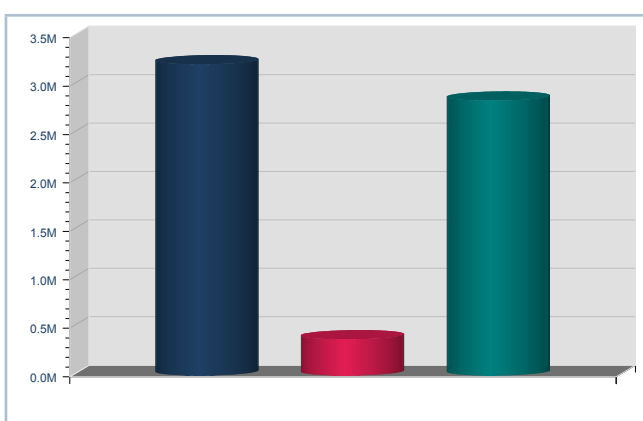
# Current Financial Position

## Analysis

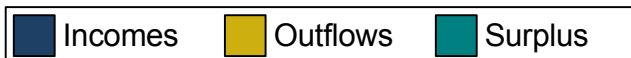
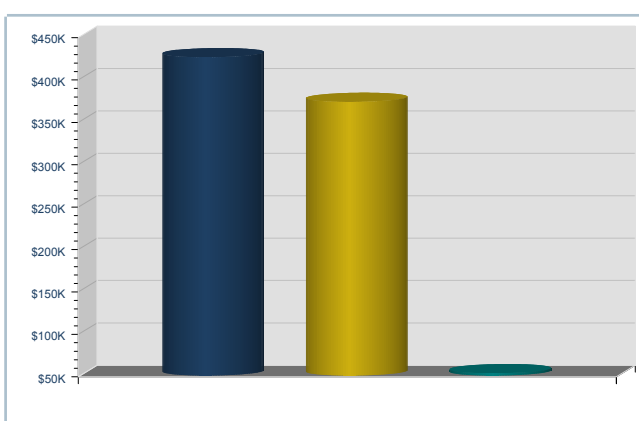
To determine your Net Worth we take the current value of all of your assets, and then subtract the current value of all of your liabilities. Based on the information you have provided, your **Current Net Worth is \$2,838,500**.

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 \$52,765 in 2006**.

### Net Worth



### Cash Flow



### Net Worth

Qualified Assets	\$1,075,000
Non Qualified Assets	\$388,500
Lifestyle Assets	\$1,750,000
Liabilities	(\$375,000)
<b>Net Worth</b>	<b>\$2,838,500</b>

### Cash Flow

Income	\$425,618
Lifestyle Expenses	\$172,320
Savings	\$54,418
Taxes	\$146,115
<b>Surplus</b>	<b>\$52,765</b>

### 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.

## Notes

# Retirement

## Objectives

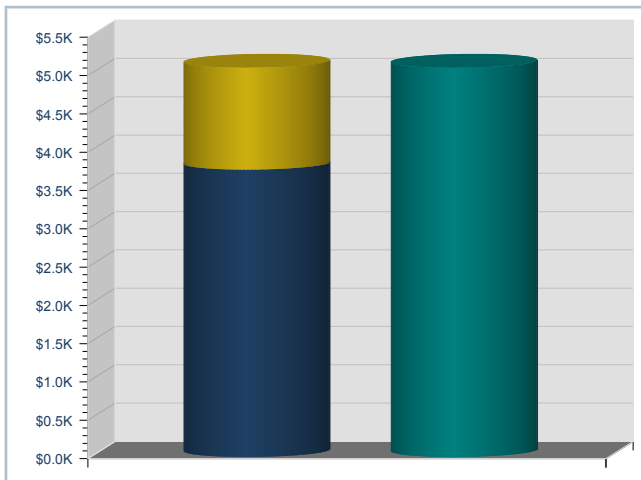
Joe plans to retire in the year 2018 at age 62. Jane plans to retire in the year 2018 at age 60. Your retirement income goal in the year 2018 is \$306,539 per year, in today's dollars.

## Analysis

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

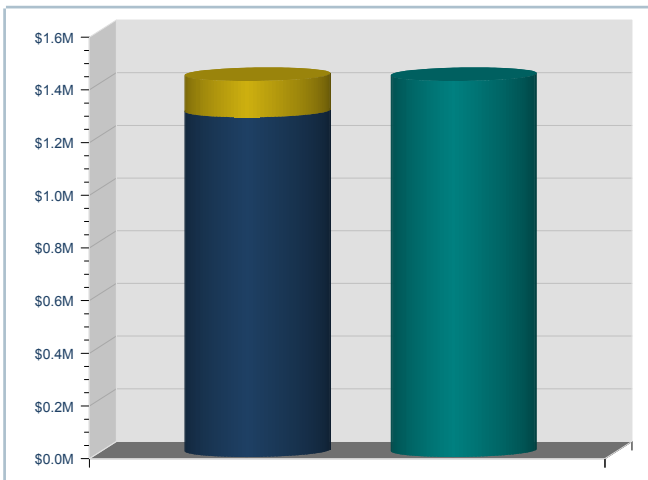
To meet your retirement goal you need to save an **additional \$1,330 per month** or allocate an **additional \$136,970 today**, at 7.83%.

### Monthly Savings for Retirement



■ Current Savings      ■ Total Savings Required  
■ Additional Savings Required

### Capital for Retirement



■ 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      \$1,330/month

or

Additional Capital Required      \$136,970

\*May include surplus savings.

These projections are based on 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.

## Notes

# Education

## Objectives

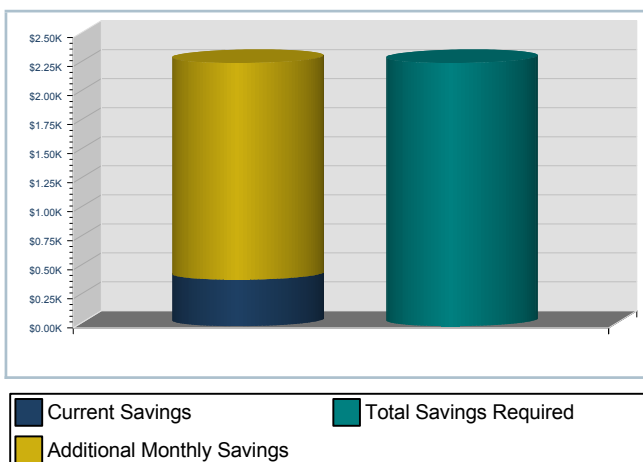
You want to accumulate sufficient assets to fund your education goals for 7 years at a total cost of \$359,371, in today's dollars, beginning in the year 2009.

## Analysis

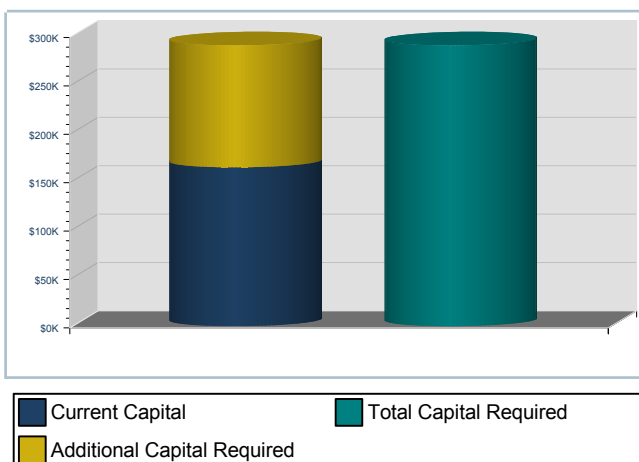
Based on our assessment you currently may not have sufficient savings strategies in place or sufficient capital allocated, to meet your goals.

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



### Capital Allocated



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.

### 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

# Major Purchase

## Objectives

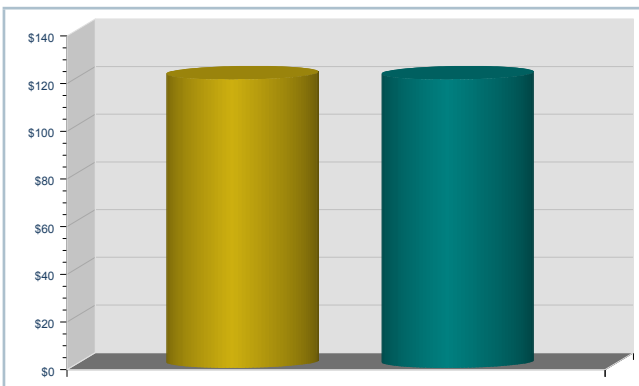
You have indicated that you have a major purchase goal totaling \$45,000, in today's dollars.

## Analysis

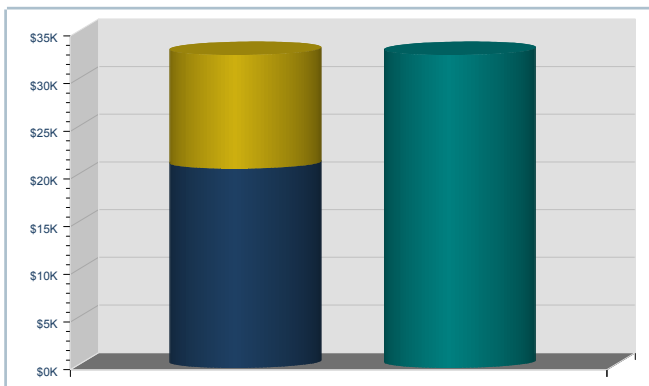
Based on our assessment you currently may not have sufficient savings strategies in place or sufficient capital allocated, to meet your goal.

To meet your goal you would need to save an **additional \$121 per month** or allocate an **additional \$11,912 today**, at 6.00%.

### Monthly Savings



### Capital Allocated



Goal	Average Monthly Savings	Current Capital	Rate Return	Additional Savings Required	or	Additional Capital Required
Family European Vacation	\$0 /month	\$20,900	6.00%	\$121 /month	or	\$11,912

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

## Notes

# Disability Insurance - Joe

## Objectives

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

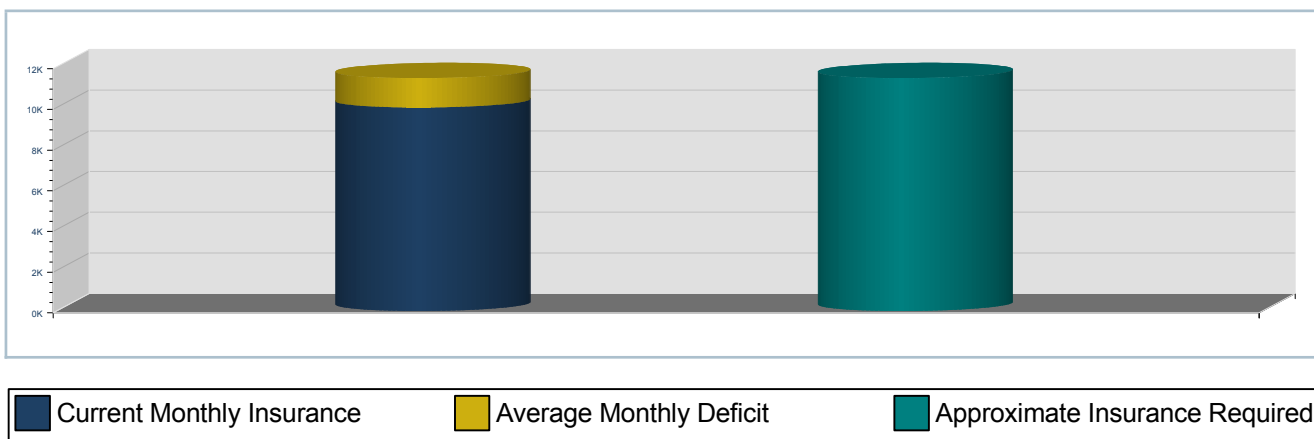
## Analysis

Based on our assessment from now until you retire in the year 2018, you may experience deficits that average \$1,441 per month, with the largest annual deficit being \$89,438.

**Increasing your coverage by \$1,441 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      \$1,441

Approximate Monthly  
Disability Insurance Required\*      \$11,441

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

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

## 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.

## Notes

# Disability Insurance - Jane

## Objectives

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

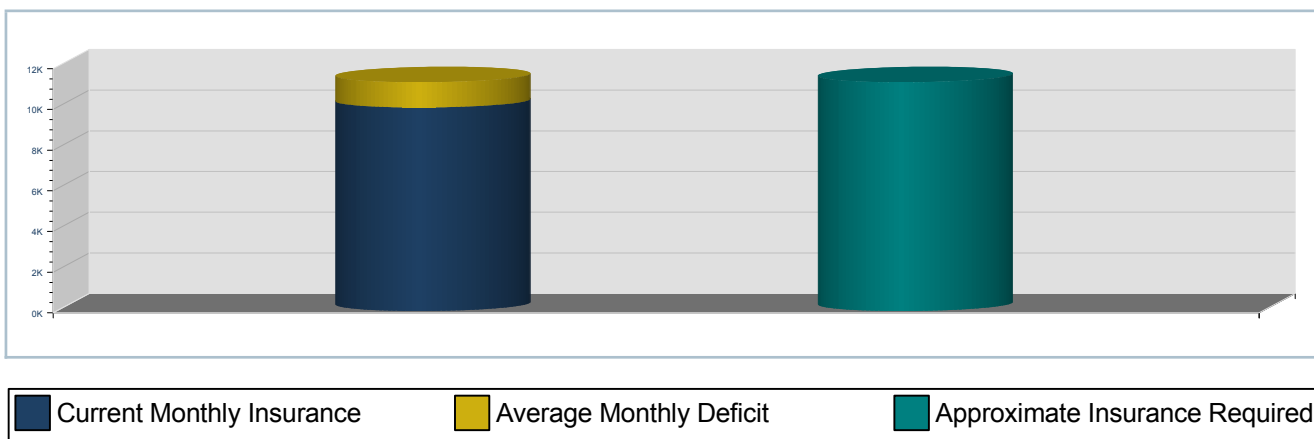
## Analysis

Based on our assessment from now until you retire in the year 2018, you may experience deficits that average \$1,242 per month, with the largest annual deficit being \$74,154.

**Increasing your coverage by \$1,242 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 Jane becomes Disabled



## If Jane becomes Disabled

Current Monthly Disability Insurance      \$10,000

Average Monthly Deficit      \$1,242

Approximate Monthly  
Disability Insurance Required\*      \$11,242

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

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

## 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.

## Notes

# Life Insurance - Joe

## Objectives

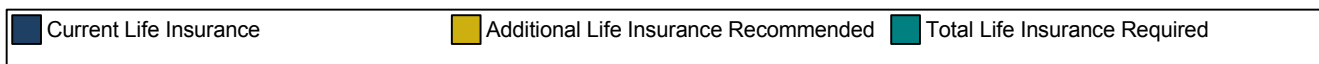
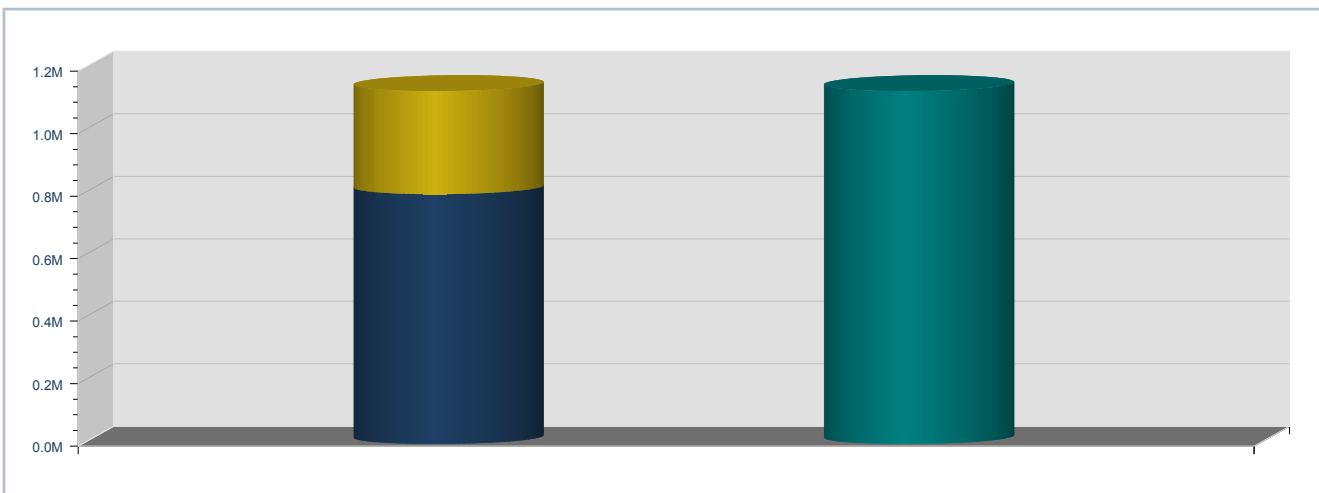
In the event of Joe's death you want to ensure that Jane has enough income and capital to cover the family's expenses and to fund your education and major purchase goals.

## 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 \$330,000** can help reduce this shortfall.

## If Joe Dies



<b>If Joe Dies</b>	
Total Coverage Needed	\$1,130,000
Current Life Insurance Owned	\$800,000
Additional Life Insurance Required	\$330,000

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.

## Notes

# Life Insurance - Jane

## Objectives

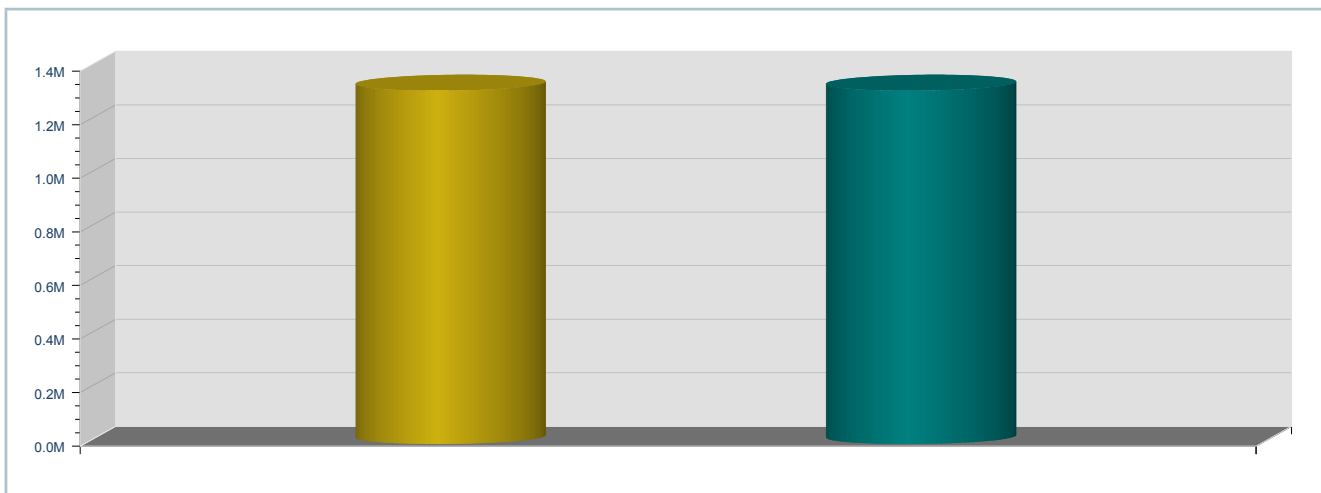
In the event of Jane's death you want to ensure that Joe has enough income and capital to cover the family's expenses and to fund your education and major purchase goals.

## Analysis

Based on our assessment, you currently may not have sufficient life insurance to meet your estate objectives.

Increasing your **Life Insurance coverage by \$1,320,000** can help reduce this shortfall.

## If Jane Dies



■ Current Life Insurance      ■ Additional Life Insurance Recommended      ■ Total Life Insurance Required

### If Jane Dies

Total Coverage Needed      \$1,320,000

Current Life Insurance Owned      \$0

Additional Life Insurance Required      \$1,320,000

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.

## Notes

# Estate Planning

## Joe dies in 2016, Jane dies in 2021

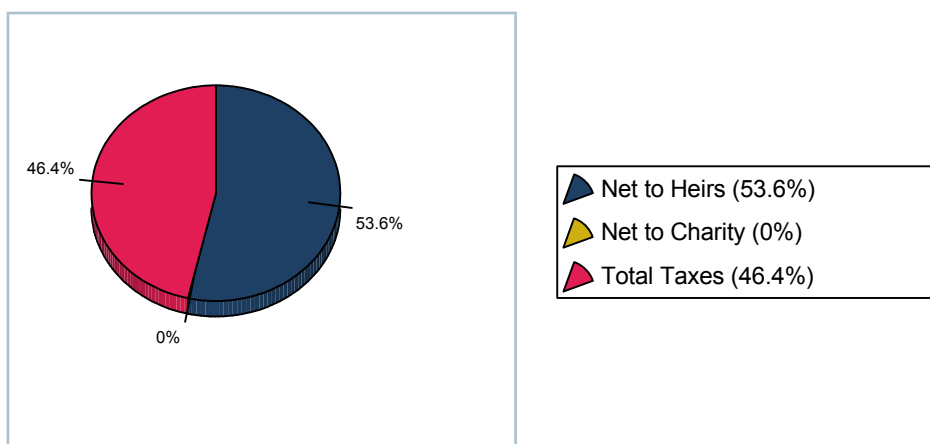
### Objectives

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 **\$4,383,362 to your heirs, \$0 to charity, and \$3,790,775 to taxes.**

## Joe dies in 2016 Jane dies in 2021



## Joe dies in 2016, Jane dies in 2021

Net to Charities	\$0
Total Estate Taxes	\$3,790,775
Net to Heirs	\$4,383,362
Total	\$8,174,137

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

## Consider the Following

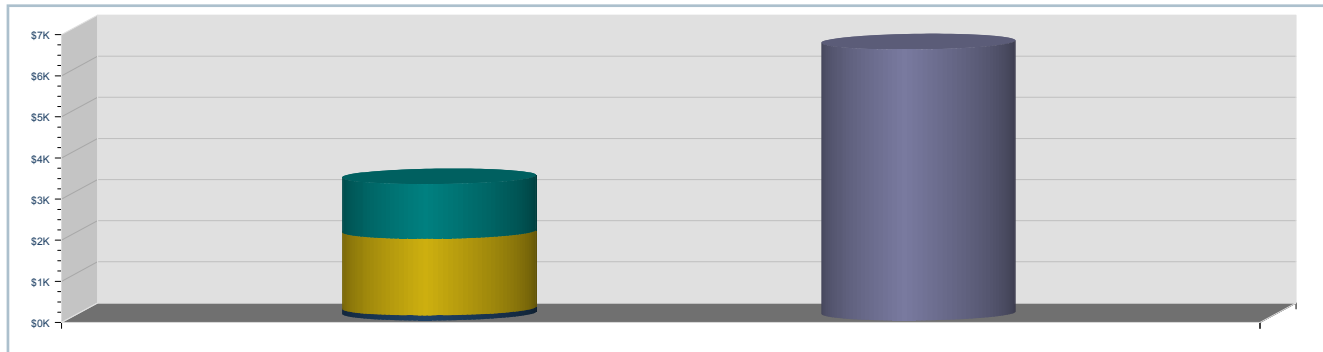
- Regardless of the size of your estate, everyone should have a will, durable power of attorney, medical power attorney, living will and health care proxy.
- Many estate planning strategies reduce taxes and fees that would otherwise have to be paid upon your death.
- Each strategy has its advantages 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

# 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.



Additional Savings for:	
Retirement	\$1,330/month
Education:	\$1,866/month
Major Purchase:	\$121/month
<b>Average Monthly Surplus/Deficit*</b>	<b>\$6,594</b>

\*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.

## 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.

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## Notes