

Financial Needs Summary



Frank and Kathy Sample-Accumulator
Hartford, Connecticut

PREPARED BY:
JANET LERNER, CFP - LERNER, STEVENSON & ASSOC.
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Introduction

What is Financial Planning?

Financial planning can be a life-long process that assists you and your family in taking control of your financial future. By setting financial goals, developing and implementing financial strategies, and monitoring progress on a regular basis, the likelihood of achieving your results is greatly increased.

There are usually five steps in the preparation of a professional financial plan:

1. An Opening Interview to assess your current financial situation and to identify your priorities and concerns.
2. Gathering information to develop a Profile of your current situation, including a review of your financial information and relevant documents. We will analyze this data to be certain we understand your unique situation and how to address it.
3. Presenting the planning analysis during a strategy session allowing you to understand where you are in relation to where you want to be in the future.
4. Using the plan as a blueprint, develop an Implementation schedule and identify specific products and services to help you reach your goals.
5. The last step in the process is the Periodic Review of your financial situation. At a minimum, we recommend you assess the need for any changes annually. Even the best financial plan must be monitored on a regular basis to make sure you are continuing in the right direction.

Why develop a financial plan?

Most people find that managing their finances is a challenge. We face many opportunities, obstacles, and hazards along the way. We struggle with anxiety relating to our personal financial circumstances. Further, many families are too busy dealing with the challenges of day-to-day life to think about next month; let alone retirement, which may be twenty years or more into the future.

By developing a financial plan, you and your family:

- Will have a better understanding of your current financial situation.
- Determine attainable retirement, education, insurance, and other financial goals.
- Review goals, funding strategies, and alternatives where goals have to be compromised.
- Have the necessary financial resources set aside to fund your goals as they occur.
- Reduce the effect of unexpected events, such as disability, premature death, etc.

Net Worth - Current

This net worth summary provides a snap shot showing a financial situation at a certain point in time. It includes what you own (assets), what you owe to creditors (liabilities), and the net value or difference between the two (net worth). In simple terms, the net worth statement shows how much money would be left if everything you owned was converted into cash and used to pay off your debts (before taxes).

The following information is a description of items likely to appear in the report below. Your report may contain some or all of the items listed:

- *Lifestyle* assets include your home, vacation homes and collectibles.
- *Non-Qualified* assets include stocks, bonds, mutual funds, investment real estate and annuities.
- *Qualified* assets include your retirement plans including IRAs and 401(k)s, and it may also contain certain education assets such as 529 Plans.
- *Liabilities* include your mortgages, loans, personal lines of credits and credit cards.
- *Cash Flow Surplus* is the amount of surplus funds from your cash flow statement. In other words, income you did not spend which may be representative of your checking account, for instance.

Net Worth Summary

As of January 1, 2011

	Frank	Kathy	Joint	Total
Non-Qualified Assets				
Investment Portfolios		15,000	145,000	160,000
Other	125,000			125,000
Non-Qualified Annuities				
Qualified Assets				
IRAs / Spousal IRAs	90,000	40,000		130,000
401(k)	200,000	200,000		400,000
Other Qualified	35,000	27,000		62,000
Qualified Annuities				
Lifestyle Assets (residences, etc.)			500,000	500,000
Business Assets				
Life Insurance Cash Value				
Liabilities			(315,000)	(315,000)
Total Net Worth	450,000	282,000	330,000	1,062,000

Cash Flow - Current

The cash flow report below outlines your current sources of income and expenses. Your income includes employment income, investment income and any other sources. Your expenses include your daily living expenses, debt payments including your mortgage, current investment contributions and insurance premiums.

Current Surplus/(Deficit) displays any excess cash available or shortfall at the end of the current year once all expenses have been covered and investments made. *Ending Surplus/(Deficit)* displays the final surplus or deficit at the end of the current year after adjustments to or from other family members. The family's ending surplus or deficit is the sum of the individual family member's ending surpluses or deficits.

	Frank	Kathy	Family
<i>Cash Inflows</i>			
Employment Inflows	\$75,000	\$95,000	\$170,000
Investment Inflows	\$13,416	\$3,838	\$17,254
Received Capital	\$248	\$248	\$497
Total Cash Inflows	\$88,665	\$99,086	\$187,751
<i>Cash Outflows</i>			
Lifestyle Expenses	\$33,450	\$33,450	\$66,900
Taxes	\$23,758	\$27,769	\$51,528
Miscellaneous Expenses	\$2,578	\$2,398	\$4,975
Non-Qualified Contributions and Reinvestments	\$3,788	\$4,070	\$7,858
Investment Expenses	\$850	\$0	\$850
Qualified Contributions	\$4,800	\$4,800	\$9,600
Total Cash Outflows	\$69,224	\$72,487	\$141,711
Current Surplus/(Deficit)			46,040
Ending Surplus/(Deficit)			46,040

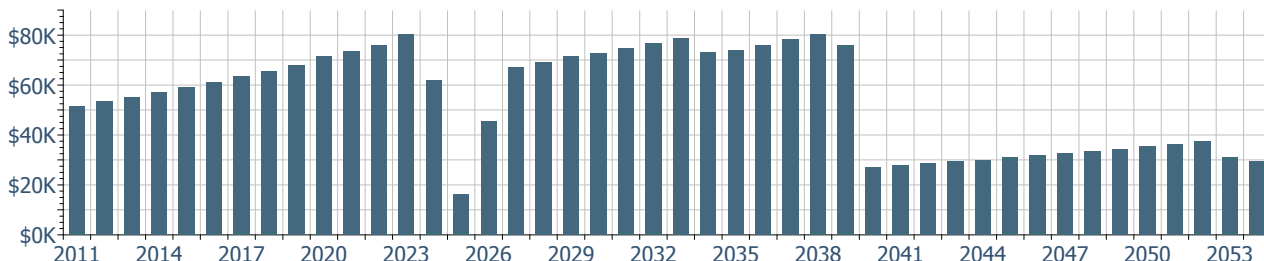
Consider the following:

- Continue to maintain a positive cash flow to generate the funds necessary to meet your goals.

Income Tax

The following graphs compare the total tax in your current plan with any scenarios. Total tax represents all income tax payable on taxable income from all sources during the current year.

Current Plan



Current Plan: Total Income Taxes	
	Current Plan
Taxes paid in current year	\$51,528
Taxes paid in first year of retirement	\$61,925 (2024)

Consider the following:

- Prior to proceeding with any income tax recommendation, discuss your personal situation with your tax advisor.
- Assess options to reduce your tax liability so that you can apply savings to fund other goals.
- Evaluate your situation carefully and use tax-advantaged products and accounts as appropriate.
- Income identified as tax-free may still be subject to the Alternative Minimum Tax (AMT).
- Frank, consider making a contribution to a Traditional or Roth IRA. Depending on your adjusted gross income and participation in employer qualified plans, your contribution to a Traditional IRA may be deductible. Combined contribution limits for 2011 for both Traditional and Roth IRAs are \$5,000.
- Kathy, consider making a contribution to a Traditional or Roth IRA. Depending on your adjusted gross income and participation in employer qualified plans, your contribution to a traditional IRA may be deductible. Combined contribution limits for 2011 for both Traditional and Roth IRAs are \$5,000.
- Frank, assess converting your Traditional IRA to a Roth IRA.
- Kathy, assess converting your Traditional IRA to a Roth IRA.

Conclusion

Now that you have reviewed the *Financial Needs Summary* report for both your current and proposed analyses, where do you go from here? Our recommendations are as follows:

1. **Review this document** – Ensure you understand the information contained in the report. Be sure to ask questions on areas that need clarification.
2. **Implement the Plan** – We will discuss a schedule to implement the action plan items we have agreed on. We need to establish a reliable follow-up method for strategies that start at a future date. Make sure it is clear who is responsible for implementing the task. Which items are you responsible for initiating? Which actions are the responsibilities of your other professional advisors: attorney, accountant, etc.? A checklist for these tasks is useful.
3. **Review your plan** – Review it on a regular basis, generally once a year. In addition, review it whenever a major change occurs in your family, such as changes in employment, birth of a child, new income or expenses, etc. You may need to adjust your plan in light of any new circumstances.

A final thought!

Remember to maintain a long-term focus with your plan. Do not expect to anticipate every curve in the road, but be prepared to adjust your plan when necessary. Your analysis is not a single event but a journey that may cover ten, twenty and thirty years or longer.

Disclaimer

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

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

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

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

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

NaviPlan Calculates Investment Returns Far Into the Future Using Ibbotson Data

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

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

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

NaviPlan Calculations Include Limited Accounting for Taxes

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

NaviPlan Calculations Do Not Include Fees and Expenses

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

NaviPlan Calculations May Include Variable Products

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

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

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

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