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# ***Asset Allocation Report***

**Frank and Kathy Accumulator**

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February 9, 2010

A professional cover page  
personalized for clients.



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The order and content of the report can be modified. Once you feel comfortable with certain sections, create templates to save time.

**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 an outline of several specific limitations of the projections of financial models in general and of NaviPlan specifically.**

*The Projections Contained in this Report depend in part, on Personal Data that You Provide*

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

*This Report is not a Comprehensive Financial Report and does not include, among other things, a Review of your Insurance Policies*

We have made no attempt to review your property and liability insurance policies (auto and homeowners, for example). We strongly recommend that in conjunction with this assessment, you consult with your property and liability agent to review your current coverage to ensure it continues to be appropriate. In doing so, you may wish to review the dollar amount of your coverage, the deductibles, the liability coverage (including an umbrella policy), and the premium amounts.

*NaviPlan does not Constitute Legal, Accounting, or Tax Advice*

This assessment does not constitute advice in the areas of legal, accounting or tax. It is your responsibility to consult with the appropriate professionals in those areas either independently or in conjunction with this assessment process.

Circular 230: Any income tax, estate tax or gift tax advice contained within this document was not intended or written to be used 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.

# Asset Allocation Overview

## What is Asset Allocation?

Asset allocation is the process of aligning your risk tolerances, financial objectives, and investment time horizon to your investment portfolio. Selecting different asset types (commonly known as asset classes) may reduce the risk of your overall investment portfolio.

The three most common asset types (classes) are as follows:

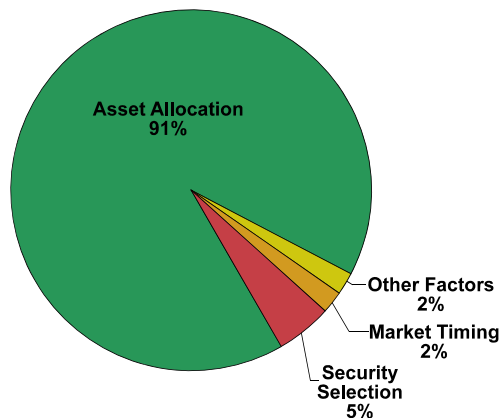
- Cash or short-term investments (savings accounts, money market accounts, etc.)
- Fixed Income investments (CDs, bonds, etc.)
- Equities (domestic and foreign stock, etc.)

Each of these three asset classes can be further subdivided. For example, equities may be broken down by size (small, medium or large capitalized companies), different sectors of the economy (technology, financial services, etc.) or be divided geographically (US, Europe, Asia, etc.).

The decision of how to allocate your investments depends on a number of factors including your investment objectives, time horizon, attitudes toward acceptable risk, desired return and tax bracket.

The basic premise of asset allocation is that by diversifying your investments over a number of different assets and asset classes, you can help reduce the risk of the entire portfolio while maintaining your desired long-term return rate expectations. Over the long term, an appropriate asset allocation (what to buy) is more important than when to buy. Generally, a decline in one asset class can be offset by an increase in another. Your choice of individual investments can also help reduce the risk of your portfolio. For example, if you diversify within each asset class and choose a number of stocks across different industries, your technology stock may be declining while your financial services stock may be rising. This strategy can also help reduce overall portfolio risk as opposed to investing all of your stocks in a single company or sector of the economy.

Studies have shown selection of a portfolio's asset allocation can be responsible for over 90% of a portfolio's performance with the remaining portion comprised of market timing, security selection, and other factors.



Source: Brinson, Hood and Beebower, "Determinants of Portfolio Performance," Financial Analyst Journal, May-June 1991.

Proper diversification reduces overall portfolio risk and plays a bigger role than security selection and market timing.

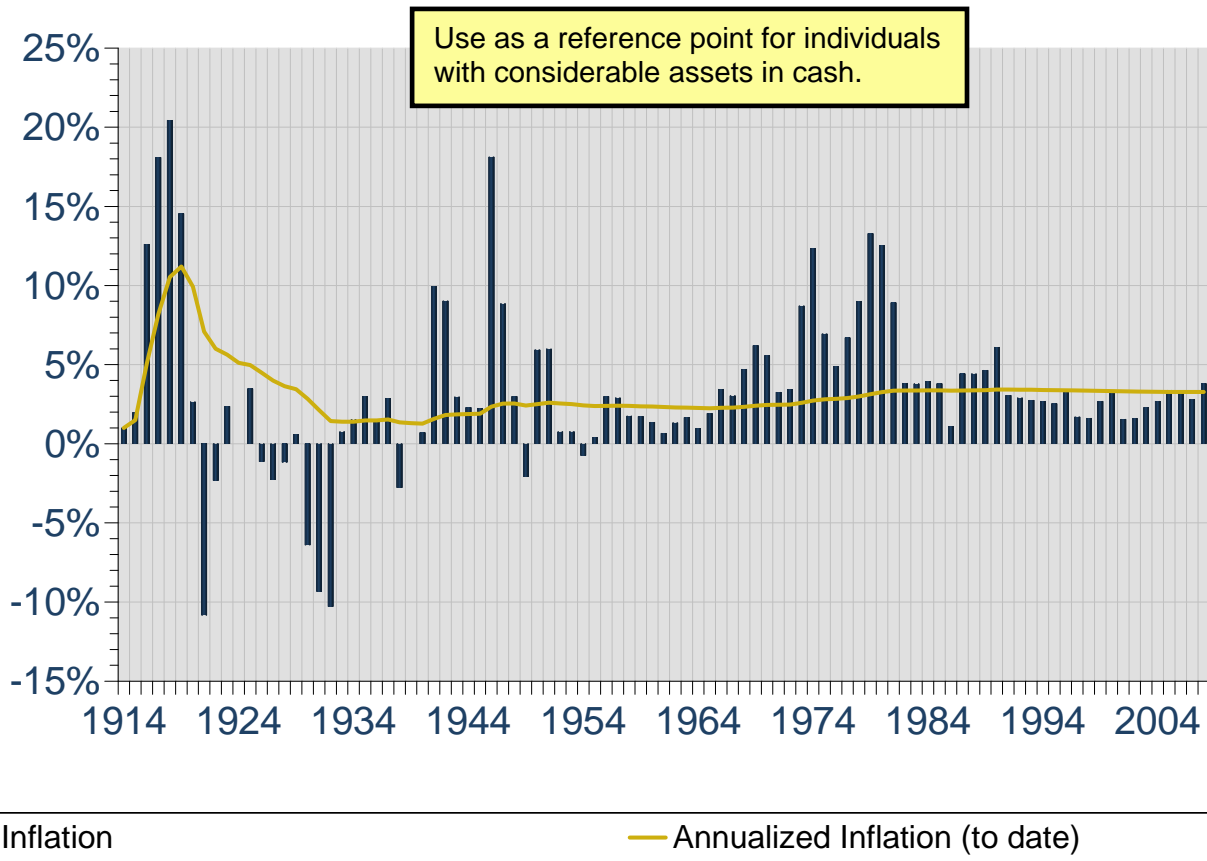
## Higher risk and higher potential return?

Use as a reference point for individuals whose investment profile indicates the willingness to take on risk.

Your overall comfort level with risk should be a major factor in choosing appropriate investments. It is important to consider that generally, achieving a higher rate of return requires accepting a higher level of risk. Higher risk investments are generally appropriate for clients with more aggressive risk profiles and longer investment time horizons. If your financial objective is many years away (retirement, for example) your investments may withstand the ups and downs of the market. If your goal is only a few years away (such as the purchase of a new car), your investment may decline during the period you wish to redeem the investments. Generally, as your financial goal approaches, you should reduce the risk of your investments by reallocating to a less aggressive asset mix.

## Why should you consider inflation?

When planning for an accumulation goal, (retirement, education, or a major purchase) consider the effect of inflation on the eventual cost of the item. If inflation is not considered, savings may fall short of your goal. For example, an item that costs \$1,000 today will cost \$1,344 in 10 years, assuming a 3% inflation rate. The graph below shows actual inflation rates for the past 95 years and the average annual rate of inflation from 1914 to 2008 is 3.28%.



Inflation History data obtained from the U.S. Department of Labor. Inflation rates are based on the Consumer Price Index.

# Risk Tolerance Analysis

The risk tolerance questionnaire responses determine the suggested asset mix. Review all responses with the client to ensure accuracy.

## Risk Tolerance Analysis results:

Portfolio	Investment Profile	Time Horizon
Entire Portfolio	Moderate	Very Long

In order to determine the appropriate risk profile, you have been asked a number of questions based on your investment goals and tolerance for risk. Below are the questions and your responses.

1. When do you expect to begin withdrawing money from your investment account?

Portfolio	Less than 1 year	1 to 2 years	3 to 4 years	5 to 7 years	8 to 10 years	11 years or more
Entire Portfolio						X

2. Once you begin withdrawing money from your investment account, how long do you expect the withdrawals to last?

Portfolio	I plan to take a lump sum distribution	1 to 4 years	5 to 7 years	8 to 10 years	11 years or more
Entire Portfolio					X

3. Inflation, the rise in prices over time, can erode your investment return. Long-term investors should be aware that, if portfolio returns are less than the inflation rate, their ability to purchase goods and services in the future might actually decline. However, portfolios with long-term returns that significantly exceed inflation are associated with a higher degree of risk.

Which of the following portfolios is most consistent with your investment philosophy?

- a) Portfolio 1 will most likely exceed long-term inflation by a significant margin and has a high degree of risk.
- b) Portfolio 2 will most likely exceed long-term inflation by a moderate margin and has a high to moderate degree of risk.
- c) Portfolio 3 will most likely exceed long-term inflation by a small margin and has a moderate degree of risk.
- d) Portfolio 4 will most likely match long-term inflation and has a low to moderate degree of risk.

Portfolio	Option a	Option b	Option c	Option d
Entire Portfolio			X	

4. Portfolios with the highest average returns also tend to have the highest chance of short-term losses. The table below provides the average dollar return of four hypothetical investments of \$100,000 and the possibility of losing money (ending value of less than \$100,000) over a one-year holding period. Please select the portfolio with which you are most comfortable.

Probabilities After 1 Year		
	Possible Average Value at the End of One Year	Chance of Losing Money at the End of One Year
a. Portfolio A	\$106,000	16%
b. Portfolio B	\$107,000	21%
c. Portfolio C	\$108,000	25%
d. Portfolio D	\$109,000	28%

Portfolio	Option a	Option b	Option c	Option d
Entire Portfolio		X		

5. Investing involves a trade-off between risk and return. Historically, investors who have received high long-term average returns have experienced greater fluctuations in the value of their portfolio and more frequent short-term losses than investors in more conservative investments have. Considering the above, which statement best describes your investment goals?

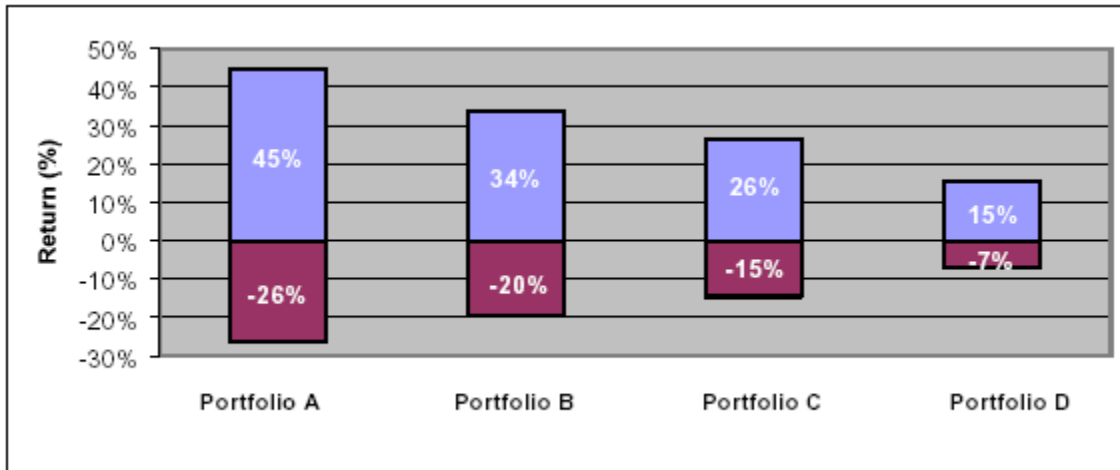
- a) Protect the value of my account. In order to minimize the chance for loss, I am willing to accept the lower long-term returns provided by conservative investments.
- b) Keep risk to a minimum while trying to achieve slightly higher returns than the returns provided by investments that are more conservative.
- c) Balance moderate levels of risk with moderate levels of returns.
- d) Maximize long-term investment returns. I am willing to accept large and sometimes dramatic fluctuations in the value of my investments.

Portfolio	Statement a	Statement b	Statement c	Statement d
Entire Portfolio			X	

6. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20% (i.e. \$1,000 initial investment would now be worth \$800) over a short period, consistent with the overall market. Assuming you still have 10 years until you begin withdrawals, how would you react?

Portfolio	I would not change my portfolio	I would wait at least one year before changing to options that are more conservative	I would wait at least three months before changing to options that are more conservative	I would immediately change to options that are more conservative
Entire Portfolio		X		

7. The following graph shows the hypothetical results of four sample portfolios over a one-year holding period. The best potential and worst potential gains and losses are presented. Note that the portfolio with the best potential gain also has the largest potential loss. Which of these portfolios would you prefer to hold?



Portfolio	Portfolio A	Portfolio B	Portfolio C	Portfolio D
Entire Portfolio			X	

8. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns.

Portfolio	Agree	Disagree	Strongly disagree
Entire Portfolio	X		

# Account Details

Proper diversification of assets and implementation of the investment profile requires full disclosure of assets in order to be effective.

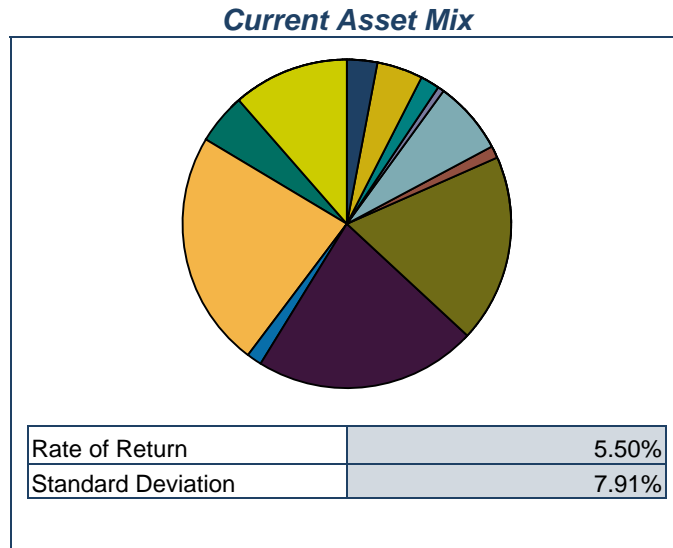
The table below provides a list of the holdings for each account in the current portfolio.

Description	Value	% of Account	% of Portfolio
<b>Frank's 401(k)</b>			
Accessor Income & Growth Allocation C	\$35,000	30.2%	3.9%
FundX Flexible Income	\$35,000	30.2%	3.9%
Columbia Balanced A	\$25,000	21.6%	2.8%
Bonds	\$21,000	18.1%	2.3%
<b>Account Total</b>	<b>\$116,000</b>		<b>12.8%</b>
<b>Kathy's 401(k)</b>			
Goldman Sachs Growth Strategy A	\$88,000	33.2%	9.7%
TIAA-CREF Inflation Link Bond Retail	\$88,000	33.2%	9.7%
Bonds	\$89,000	33.6%	9.8%
<b>Account Total</b>	<b>\$265,000</b>		<b>29.2%</b>
<b>Tasha's Education Plan</b>			
New Holding	\$27,000	100.0%	3.0%
<b>Account Total</b>	<b>\$27,000</b>		<b>3.0%</b>
<b>James' Education Plan</b>			
New Holding	\$35,000	100.0%	3.9%
<b>Account Total</b>	<b>\$35,000</b>		<b>3.9%</b>
<b>Vacation Timeshare savings</b>			
New Holding	\$10,000	100.0%	1.1%
<b>Account Total</b>	<b>\$10,000</b>		<b>1.1%</b>
<b>Kathy's IRA</b>			
Accessor Income & Growth Allocation C	\$15,000	37.5%	1.7%
Vanguard Long-Term US Treasury	\$10,000	25.0%	1.1%
MainStay ICAP Select Equity I	\$15,000	37.5%	1.7%
<b>Account Total</b>	<b>\$40,000</b>		<b>4.4%</b>
<b>Frank's Roth IRA</b>			
American Century Infl-Adj Bond Inv	\$120,000	80.0%	13.2%
Columbus Silver	\$30,000	20.0%	3.3%
<b>Account Total</b>	<b>\$150,000</b>		<b>16.6%</b>
<b>Ridgefield Bank</b>			
New Holding	\$8,000	100.0%	0.9%
<b>Account Total</b>	<b>\$8,000</b>		<b>0.9%</b>
<b>Fleet Bank Savings</b>			
New Holding	\$6,000	100.0%	0.7%
<b>Account Total</b>	<b>\$6,000</b>		<b>0.7%</b>
<b>Joint Savings</b>			
New Holding	\$100,000	100.0%	11.0%
<b>Account Total</b>	<b>\$100,000</b>		<b>11.0%</b>
<b>Frank's IRA</b>			
Vanguard Target Retirement 2025	\$149,000	100.0%	16.4%
<b>Account Total</b>	<b>\$149,000</b>		<b>16.4%</b>
<b>Portfolio Total</b>	<b>\$906,000</b>		<b>100.0%</b>

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# Current Asset Mix

This pie graph illustrates your current asset allocation mix. The table below provides a breakdown of the percentages and dollar values for each asset class in the current portfolio.



Asset Class	Current Asset Mix	
	(%)	(\$)
Large Cap Growth Equity	3.0	27,270
Large Cap Value Equity	4.5	40,750
Mid Cap Equity	1.9	17,550
Small Cap Equity	0.6	5,020
International Equity	7.2	65,660
Emerging Markets Equity	1.2	11,270
Long Term Bonds	18.5	168,030
Intermediate Term Bonds	21.9	198,730
Short Term Bonds	1.5	14,000
High Yield Bonds	23.3	209,080
International Bonds	5.0	45,210
Cash	11.4	103,430
<b>Total</b>	<b>100.0</b>	<b>906,000</b>

Review aspects of the current asset mix that may need to be adjusted.

# Current Portfolio Breakdown

Illustrate holding breakdowns for each asset class by dollar and percentage values. Identify any overexposure to a particular holding or asset class.

The table below provides a breakdown of the percentages and dollar values for each asset class in the current portfolio.

Asset Class	Holding	Type	% of Asset Class	% of Portfolio	Asset Value
<b>Large Cap Growth Equity</b>	New Holding	Non-Qualified	7.3%	0.2%	\$2,000
	Accessor Income & Growth Allocation C	401(k)	12.8%	0.4%	\$3,500
	Accessor Income & Growth Allocation C	IRA	5.5%	0.2%	\$1,500
	Columbia Balanced A	401(k)	43.1%	1.3%	\$11,750
	Goldman Sachs Growth Strat A	401(k)	29.0%	0.9%	\$7,920
	MainStay ICAP Select Equity I	IRA	2.2%	0.1%	\$600
	<b>Total Large Cap Growth Equity</b>				<b>3.0%</b>
<b>Large Cap Value Equity</b>	New Holding	Non-Qualified	2.5%	0.1%	\$1,000
	Accessor Income & Growth Allocation C	401(k)	3.4%	0.2%	\$1,400
	Accessor Income & Growth Allocation C	IRA	1.5%	0.1%	\$600
	Columbia Balanced A	401(k)	9.2%	0.4%	\$3,750
	Goldman Sachs Growth Strat A	401(k)	32.4%	1.5%	\$13,200
	MainStay ICAP Select Equity I	IRA	20.6%	0.9%	\$8,400
	New Holding	529 Plan	13.3%	0.6%	\$5,400
	New Holding	529 Plan	17.2%	0.8%	\$7,000
	<b>Total Large Cap Value Equity</b>				<b>4.5%</b>
<b>Mid Cap Equity</b>	Accessor Income & Growth Allocation C	401(k)	12.0%	0.2%	\$2,100
	Accessor Income & Growth Allocation C	IRA	5.1%	0.1%	\$900
	Goldman Sachs Growth Strat A	401(k)	75.2%	1.5%	\$13,200
	MainStay ICAP Select Equity I	IRA	7.7%	0.1%	\$1,350
	<b>Total Mid Cap Equity</b>				<b>1.9%</b>
<b>Small Cap Equity</b>	Goldman Sachs Growth Strat A	401(k)	70.1%	0.4%	\$3,520
	MainStay ICAP Select Equity I	IRA	29.9%	0.2%	\$1,500
<b>Total Small Cap Equity</b>				<b>0.6%</b>	<b>\$5,020</b>
<b>International Equity</b>	Accessor Income & Growth Allocation C	401(k)	8.0%	0.6%	\$5,250
	Accessor Income & Growth Allocation C	IRA	3.4%	0.2%	\$2,250
	Columbus Silver	Roth IRA	45.7%	3.3%	\$30,000
	Goldman Sachs Growth Strat A	401(k)	42.9%	3.1%	\$28,160

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<b>Total International Equity</b>				<b>7.2%</b>	<b>\$65,660</b>
<b>Emerging Markets Equity</b>	Accessor Income & Growth Allocation C	401(k)	9.3%	0.1%	\$1,050
	Accessor Income & Growth Allocation C	IRA	4.0%	0.0%	\$450
	Columbia Balanced A	401(k)	4.4%	0.1%	\$500
	Goldman Sachs Growth Strat A	401(k)	70.3%	0.9%	\$7,920
	MainStay ICAP Select Equity I	IRA	12.0%	0.1%	\$1,350
<b>Total Emerging Markets Equity</b>				<b>1.2%</b>	<b>\$11,270</b>
<b>Long Term Bonds</b>	New Holding	Non-Qualified	23.8%	4.4%	\$40,000
	Vanguard Target Retirement 2025	Non-Qualified	12.4%	2.3%	\$20,860
	Accessor Income & Growth Allocation C	401(k)	0.8%	0.2%	\$1,400
	Accessor Income & Growth Allocation C	IRA	0.4%	0.1%	\$600
	American Century Infl-Adj Bond Inv	Roth IRA	15.7%	2.9%	\$26,400
	FundX Flexible Income	401(k)	1.0%	0.2%	\$1,750
	Goldman Sachs Growth Strat A	401(k)	1.0%	0.2%	\$1,760
	New Holding	529 Plan	11.2%	2.1%	\$18,900
	New Holding	529 Plan	14.6%	2.7%	\$24,500
	TIAA-CREF Inflation Link Bd Retail	401(k)	14.1%	2.6%	\$23,760
	Vanguard Long-Term US Treasury	IRA	4.8%	0.9%	\$8,100
<b>Total Long Term Bonds</b>				<b>18.5%</b>	<b>\$168,030</b>
<b>Intermediate Term Bonds</b>	New Holding	Non-Qualified	2.0%	0.4%	\$4,000
	New Holding	Non-Qualified	10.1%	2.2%	\$20,000
	American Century Infl-Adj Bond Inv	Roth IRA	27.8%	6.1%	\$55,200
	Bonds	401(k)	44.8%	9.8%	\$89,000
	Columbia Balanced A	401(k)	0.9%	0.2%	\$1,750
	TIAA-CREF Inflation Link Bd Retail	401(k)	13.7%	3.0%	\$27,280
	Vanguard Long-Term US Treasury	IRA	0.8%	0.2%	\$1,500
<b>Total Intermediate Term Bonds</b>				<b>21.9%</b>	<b>\$198,730</b>
<b>Short Term Bonds</b>	New Holding	Non-Qualified	100.0%	1.5%	\$14,000
<b>High Yield Bonds</b>	New Holding	Non-Qualified	7.7%	1.8%	\$16,000
	Vanguard Target Retirement 2025	Non-Qualified	55.6%	12.8%	\$116,220
	American Century Infl-Adj Bond Inv	Roth IRA	13.2%	3.0%	\$27,600
	Bonds	401(k)	10.0%	2.3%	\$21,000
	FundX Flexible Income	401(k)	2.0%	0.5%	\$4,200
	TIAA-CREF Inflation Link Bd Retail	401(k)	11.4%	2.6%	\$23,760

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	Vanguard Long-Term US Treasury	IRA	0.1%	0.0%	\$300
<b>Total High Yield Bonds</b>				<b>23.1%</b>	<b>\$209,080</b>
<b>International Bonds</b>	Vanguard Target Retirement 2025	Non-Qualified	26.4%	1.3%	\$11,920
	American Century Inflation-Adj Bond Inv	Roth IRA	23.9%	1.2%	\$10,800
	Columbia Balanced A	401(k)	4.4%	0.2%	\$2,000
	FundX Flexible Income	401(k)	10.1%	0.5%	\$4,550
	Goldman Sachs Growth Strat A	401(k)	5.8%	0.3%	\$2,640
	TIAA-CREF Inflation Link Bd Retail	401(k)	29.2%	1.5%	\$13,200
	Vanguard Long-Term US Treasury	IRA	0.2%	0.0%	\$100
<b>Total International Bonds</b>				<b>5.0%</b>	<b>\$45,210</b>
<b>Cash</b>	New Holding	Non-Qualified	2.9%	0.3%	\$3,000
	New Holding	Non-Qualified	7.7%	0.9%	\$8,000
	New Holding	Non-Qualified	5.8%	0.7%	\$6,000
	New Holding	Non-Qualified	9.7%	1.1%	\$10,000
	Accessor Income & Growth Allocation C	401(k)	19.6%	2.2%	\$20,300
	Accessor Income & Growth Allocation C	IRA	8.4%	1.0%	\$8,700
	Columbia Balanced A	401(k)	5.1%	0.6%	\$5,250
	FundX Flexible Income	401(k)	23.7%	2.7%	\$24,500
	Goldman Sachs Growth Strat A	401(k)	9.4%	1.1%	\$9,680
	MainStay ICAP Select Equity I	IRA	1.7%	0.2%	\$1,800
	New Holding	529 Plan	2.6%	0.3%	\$2,700
	New Holding	529 Plan	3.4%	0.4%	\$3,500
<b>Total Cash</b>				<b>11.4%</b>	<b>\$103,430</b>
<b>Total Portfolio</b>				<b>100.0%</b>	<b>\$906,000</b>

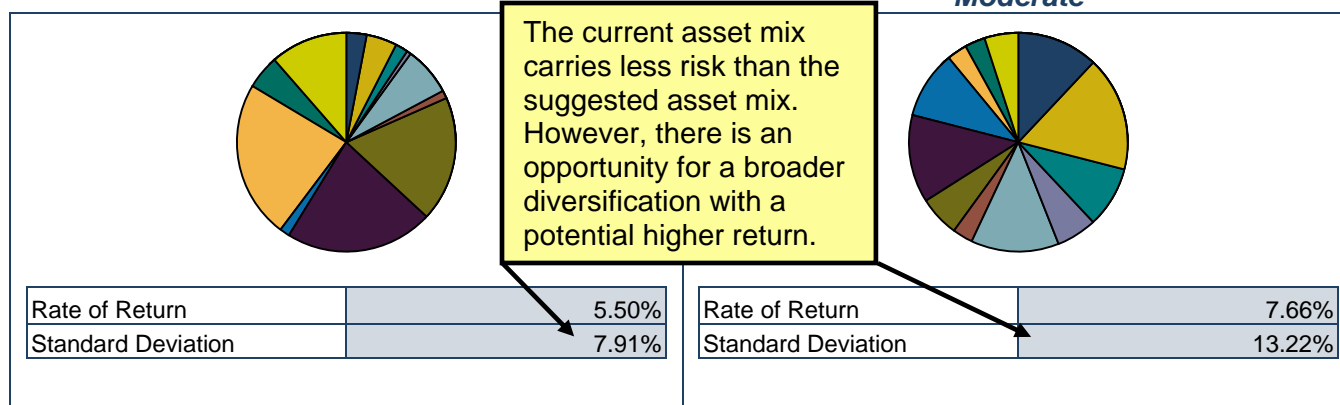
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# Asset Allocation for Entire Portfolio

These pie graphs illustrate your current asset mix and suggested asset mix for your entire portfolio.

**Current Asset Mix**

**Suggested Asset Mix  
Moderate**



The table below provides a breakdown of the percentages and dollar values for each asset class in the current and suggested portfolio. The *Change* column indicates the rebalancing required to reach the suggested asset mix.

Asset Class	Current Asset Mix		Change		Suggested Asset Mix	
	(%)	(\$)	(%)	(\$)	(%)	(\$)
Large Cap Growth Equity	3.0	27,270	+9.0	+81,450	12.0	108,720
Large Cap Value Equity	4.5	40,750	+12.5	+113,270	17.0	154,020
Mid Cap Equity	1.9	17,550	+7.1	+63,990	9.0	81,540
Small Cap Equity	0.6	5,020	+5.4	+49,340	6.0	54,360
International Equity	7.2	65,660	+5.8	+52,120	13.0	117,780
Emerging Markets Equity	1.2	11,270	+1.8	+15,910	3.0	27,180
Long Term Bonds	18.5	168,030	-12.5	-113,670	6.0	54,360
Intermediate Term Bonds	21.9	198,730	-8.9	-80,950	13.0	117,780
Short Term Bonds	1.5	14,000	+8.5	+76,600	10.0	90,600
High Yield Bonds	23.3	209,080	-20.3	-181,900	3.0	27,180
International Bonds	5.0	45,210	-2.0	-18,030	3.0	27,180
Cash	11.4	103,430	-6.4	-58,130	5.0	45,300
<b>Total</b>	<b>100.0</b>	<b>906,000</b>	<b>+0.0</b>	<b>+0</b>	<b>100.0</b>	<b>906,000</b>

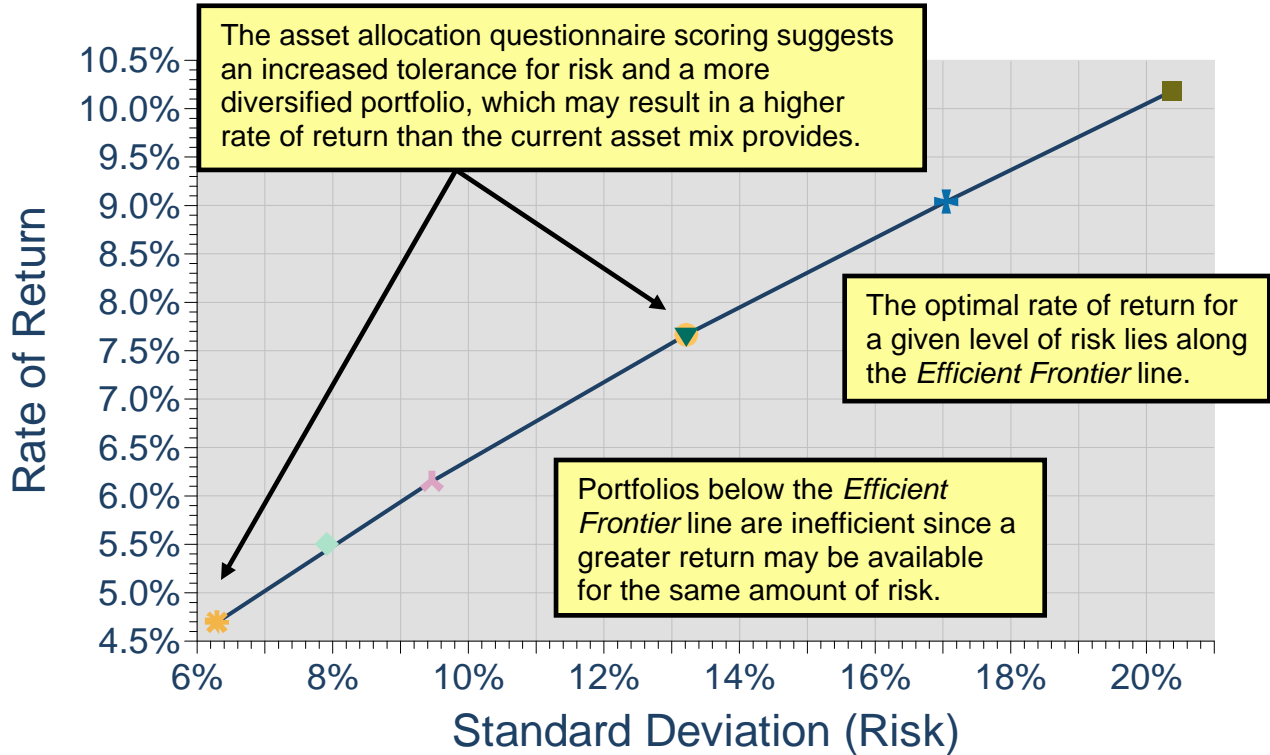
© 2007 Ibbotson Associated, Inc., a wholly owned subsidiary of Morningstar, Inc. All rights reserved. EISI has engaged Ibbotson to develop proprietary asset allocation tools for educational purposes. Ibbotson has granted to EISI a license for use thereof. Some assets in this report may have been classified based on returns-based style analysis and others may have been manually classified.

Adjustments needed to achieve the suggested asset mix.

# Efficient Frontier Analysis

The efficient frontier refers to all of the investment portfolios that provide the highest return for a given amount of risk (measured by standard deviation) and is shown in the graph below by a green line. A light blue diamond denotes your current portfolio. If the efficient frontier line is above your portfolio, you may be able to obtain a better rate of return for the level of risk you are willing to accept. The yellow circle denotes our proposed portfolio.

Alternative model portfolios are also plotted on this graph. These additional points on the graph illustrate the risk and return associated with the other portfolios. Remember, only those portfolios along the efficient frontier line provide you with the greatest potential return for a given level of risk.



— Efficient Frontier	* Conservative	+ Moderate Aggressive
◆ Current - Rebalanced	◇ Moderate Conservative	■ Aggressive
● Suggested Asset Mix	▼ Moderate	

The table below provides the actual values for the points on the graph above.

	Return	Risk
Current Asset Mix	5.50%	7.91%
Suggested Asset Mix	7.66%	13.22%
Conservative	4.69%	6.29%
Moderate Conservative	6.15%	9.46%
Moderate	7.66%	13.22%
Moderate Aggressive	9.04%	17.05%
Aggressive	10.18%	20.37%

# Asset Allocation Considerations

## *Asset Reallocation*

While the proposed allocation may be subject to more or less risk, it may also generate a higher or lower rate of return as compared to your current portfolio. The proposed allocation serves as a beginning for your discussions with your advisor.

It is important to note that reallocating non-qualified investments may trigger an additional tax liability. Please review the Income Tax Summary for more information.

## *Future Contributions*

Consider allocating future contributions to those asset classes currently under-weighted. Once your portfolio reaches your desired allocation, you can align your contributions to match the proposed allocation.

## *Rebalancing*

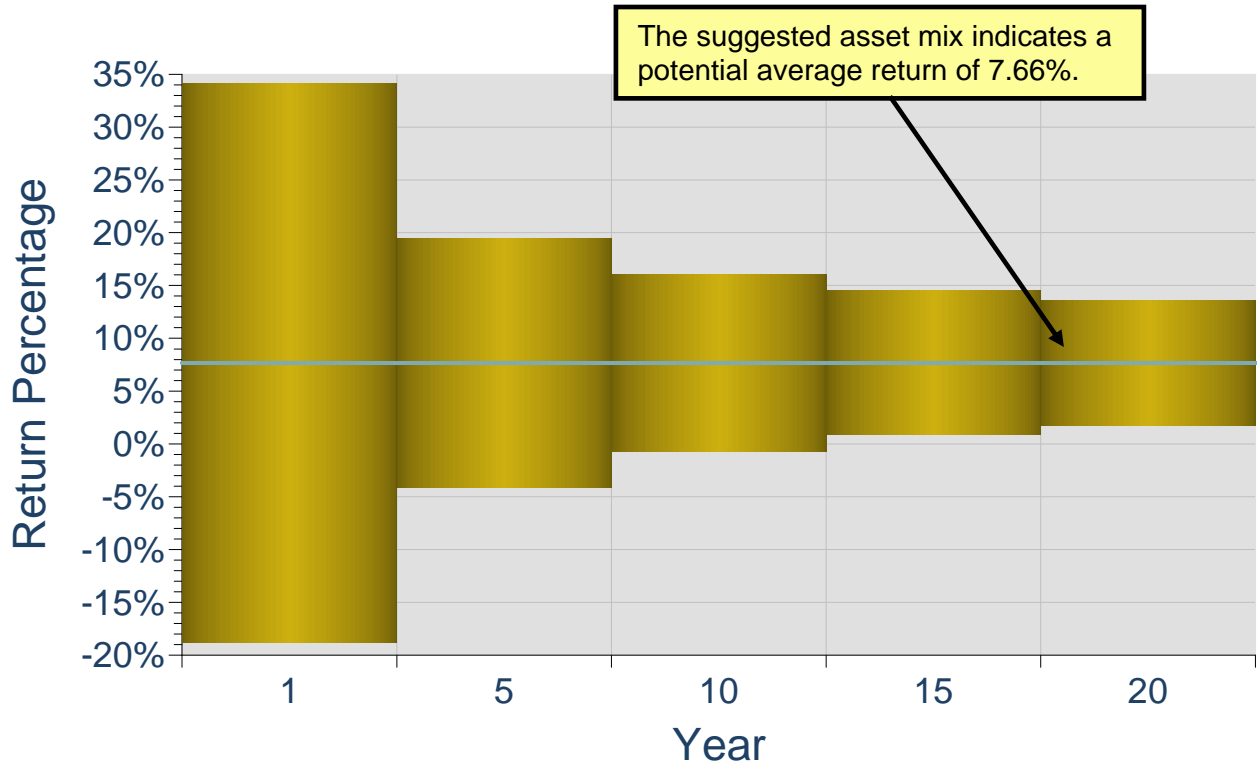
Market activity may cause one asset class to become a greater percentage of the portfolio. Periodic rebalancing helps ensure that your portfolio continues to reflect your desired target asset allocation. Rebalancing ensures that you do not end up overexposed in one type of investment or asset class.

Rebalancing should be done at regular intervals far enough apart to avoid adjustments based on short-term fluctuations. Reviews should be done frequently enough to keep on track, usually annually. The portfolio should be examined if the allocation deviates over five percent from the original proposed allocation.

It is important to discuss the implications of making changes to a portfolio before implementing a strategy.

# Projected Range of Returns

The following graph illustrates the potential range of returns on investments in your proposed investment portfolio. There is a 90% chance your returns over each time period will fall within the given range. Assuming the returns are normally distributed, there is a 5% chance you could outperform the highest return shown here, as well as a 5% chance you could underperform the lowest return shown here. The longer the time period of measurement, the narrower the range of returns. These results assume a buy-and-hold approach to the portfolio over each of the time periods illustrated.



Upper Bound
  Average Return
  Lower Bound

	1 Year	5 Years	10 Years	15 Years	20 Years
5th Percentile*	34.09%	19.48%	16.02%	14.49%	13.57%
Average Return	7.66%	7.66%	7.66%	7.66%	7.66%
95th Percentile**	-18.77%	-4.16%	-0.69%	0.84%	1.75%

\* You have a 5% chance of earning a higher return than what is shown over the applicable time period.

\*\* You have a 5% chance of earning a lower return than what is shown over the applicable time period.

# Conclusion

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

- **Review this document** and ensure you understand the information contained in the report. Be sure to ask us questions on areas that need clarification.
- **Decide on a course of action.** Together, we will evaluate the asset reallocation strategy so that it is consistent with your objectives and your financial ability.

Just as with any strategy or analysis, you must be diligent about updating the plan. Working with your advisor, you should review your current asset allocation regularly - annually at a minimum, or whenever changes in your financial situation warrant a review.

Come to a decision on an asset allocation strategy and set up a follow-up meeting.

# Important Terminology

Relevant terms that are used regularly throughout the report are defined here.

## ***Rate of return (current asset mix)***

The dollar-weighted average rate of return of the assets in the Current Asset Mix.

## ***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.

## ***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.

## ***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.

## ***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 include

It is important to understand how the suggested asset mix is derived since it is the primary focus of this report.

## ***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.

## ***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.

### ***Asset class***

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

### ***Large Cap Growth Equity***

Domestic U.S. equity stocks representing securities with a greater-than-average growth orientation, which tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields, and higher forecasted growth values.

### ***Large Cap Value Equity***

Domestic U.S. equity stocks representing securities with a less-than-average growth orientation, which generally have lower price-to-book and price-earnings ratios, higher dividend yields, and lower forecasted growth values.

### ***Mid Cap Equity***

Domestic U.S. equity stocks representing the Russell Mid Cap Index, which consists of the smallest 800 companies in the Russell 1000 index as ranked by total market capitalization.

### ***Small-Cap Equity***

Domestic U.S. equity stocks representing the Russell 2000 Index, which is a small-cap index consisting of the smallest 2,000 companies in the Russell 3000 Index.

### ***International Equity***

Stocks representing the MSCI EAFE (Europe, Australasia, Far East) Index, which is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada.

### ***Emerging Markets Equity***

Equities representing the MSCI Emerging Markets Index, which is a free float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets.

### ***High-Yield Bonds***

Bonds representing the universe of fixed rate, noninvestment grade debt.

### ***International Bonds***

Bonds reflecting the returns provided by investment in international (non-U.S.) fixed income securities.

### ***Long-Term Bonds***

Bonds where the total returns are calculated for each year on a single bond issued by the U.S. Government with a term of approximately 20 years, and a reasonably current coupon with returns that did not reflect potential tax benefits, impaired negotiability, or special redemption or call privileges.

## ***Intermediate-Term Bonds***

These bonds represent one-bond portfolios used to construct the intermediate-term index. The bond chosen each year is the shortest non-callable bond with a maturity of not less than five years, and it is “held” for the calendar year.

## ***Short-Term Bonds – U.S. 1-Year Government Bonds***

Bonds represent yields on Treasury securities at “constant maturity” and are interpolated by the U.S. Treasury from the daily yield curve. This curve relates the yield on a security to its time to maturity, and is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market.

## ***Cash***

Cash reflects the returns provided by short-term fixed income instruments. The index is based on the U.S. 3-month Treasury bills.