

Annotated Retirement Distribution
Summary report

NaviPlan

Retirement Distribution Summary

Frank and Kathy Retired

Ridgefield, Connecticut

Advisor information
(optional)

Prepared by: Janet Lerner, CFP
Lerner, Stevenson & Associates

Plan date

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Table of Contents

The table of contents helps to organize a presentation.

Disclaimer.....	4
Scenario Probability Assumptions.....	6
Introduction.....	7
Assumptions - Current Plan	8
Current Plan	10
Proposed Plan.....	13
Probability Analysis	17
Conclusion.....	19
Important Terminology	20
Appendix - Distribution Schedules - Recommended Plan	25

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 financial plan 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 financial plan. Any inaccurate representation by you of any facts or assumptions used in this financial plan 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 financial plan, 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 financial plan 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 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 financial plan 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 financial plan 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 financial plan. Historical data is used to produce future assumptions used in the financial plan, 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 financial plan 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 financial plan 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 projections 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 projected returns. The extent of the recommended allocation to these favored investment categories is limited by the investor's disclosed tolerance for risk. In general, higher returns are associated with higher risk.

These broad investment categories are not specific securities, funds, or investment products and NaviPlan is not an offer or solicitation to purchase any securities or investment products. The assumed rates of return of these broad categories are based on the returns of indices. These indices do not include fees or operating expenses and are not available for investment. These indices are unmanaged and the returns are shown for illustrative purposes only.

It is important to note that the broad categories that are used are not comprehensive and other investments that are not considered may have characteristics that are similar or superior to the categories that are used in NaviPlan.

Refer to the Asset Allocation section of this report for details on return rate assumptions used throughout this financial plan.

NaviPlan Projects Investment Returns Far Into the Future Using Historical 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.

This historical data of the returns of these broad asset categories is used in projecting a hypothetical return for these categories for many years into the future.

Any projection of future returns of any asset category, including any projection 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 projections in NaviPlan will be less useful.

Important: The projections or other information generated by NaviPlan® version 11.2 regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. The projections utilize return data that do not include fees or operating expenses, are not available for investment, and are shown for illustrative purposes only. If included, fees and other operating expenses would materially reduce these projections. See the Disclaimers section at the beginning of this document for more information.

Scenario Probability Assumptions

Disclosure of assumptions used in the probability analyses.

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

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

Assumptions

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

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

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

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

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

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

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

Introduction

Educate clients on the probable risks they will face in retirement (Longevity, Inflation, Overspending, Market and Health). As investors and retirees they need to be aware of these risks and plan for them.

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

Help clients mitigate these risks by developing a solid financial plan. This report will serve to recommend strategies to counter the risks in retirement.

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

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

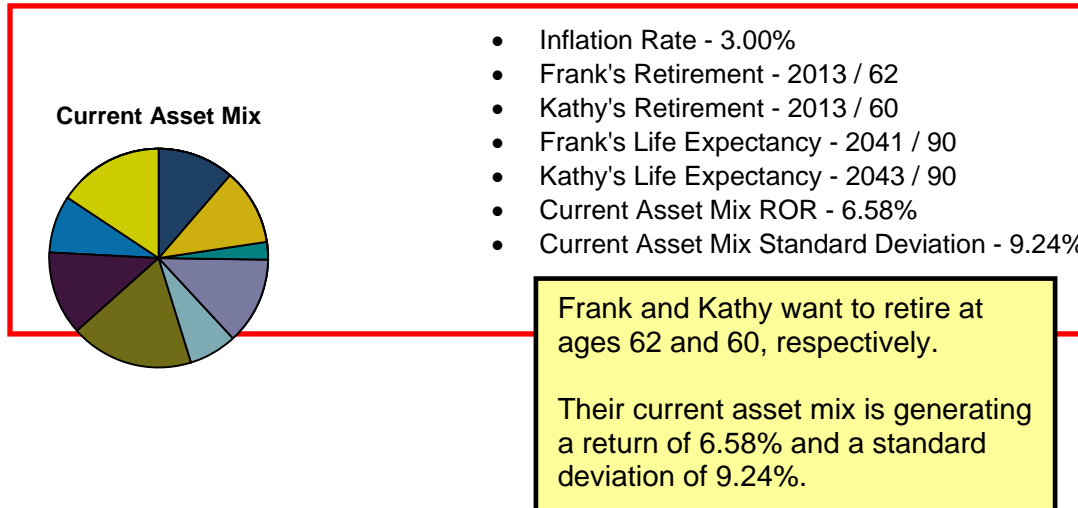
The following analysis is designed to help you answer each of the key questions regarding your retirement plan as well as how you can manage each of these risks. This plan can become the core foundation for your overall income planning and can guide you as you enjoy your retirement.

Assumptions - Current Plan

Identify clients' current position and susceptibility to retirement risks.

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

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



Asset Class	Current Asset Mix	
	(%)	(\$)
Large Cap Growth Equity	11.3	93,000
Large Cap Value Equity	11.3	93,000
Mid Cap Equity	2.6	21,000
Small Cap Equity	12.9	105,500
International Equity	7.1	58,500
Long Term Bonds	18.2	148,500
Intermediate Term Bonds	12.4	102,000
Short Term Bonds	8.5	69,500
Cash	15.7	129,000
Total	100.0	820,000

Market Risk
 Risk of market fluctuations; risk of taking distributions during a down market.

Possible strategies include moving to a more conservative asset mix in retirement, and/or ensuring sufficient fixed income resources exist to cover fixed needs.

Planned Retirement Spending

Fixed versus discretionary expenses.

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

Expense	Member	Start Date	End Date	Annual Amount	Index Rate	Fixed
Life Insurance	Frank	Dec 31 2009	Oct 1 2016	\$1,200.00	3.00%	Y
Life Insurance	Kathy	Dec 31 2009	Sep 15 2018	\$600.00	3.00%	Y
Personal Loans	Joint	Dec 31 2009	Nov 30 2013	\$3,000.00	N/A	Y
Rental Mortgage ¹	Frank	Dec 31 2009	Dec 31 2024	\$30,384.00	N/A	Y
Lawn Care	Frank	Jan 1 2011	Dec 31 2031	\$500.00	3.00%	N
Retirement goal expense	Joint	Jan 1 2013	Dec 31 2043	\$109,272.70	3.00%	Y
Travel expense	Joint	Jan 1 2013	Dec 31 2017	\$27,318.18	3.00%	N
Funeral Expenses ¹	Frank	Dec 31 2041	Dec 31 2041	\$32,781.81	3.00%	N
Frank's Burial ¹	Frank	Dec 31 2041	Dec 31 2041	\$30,000.00	0.00%	Y
Lump Sum Need ¹	Kathy	Dec 31 2043	Dec 31 2043	\$437,090.80	3.00%	N
Funeral Expenses ¹	Kathy	Dec 31 2043	Dec 31 2043	\$32,781.81	3.00%	N
Kathy's Burial ¹	Kathy	Dec 31 2043	Dec 31 2043	\$30,000.00	0.00%	Y

¹ Expense is transferred to survivor upon member's death

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

Fixed Needs in First Retirement Year (yr)	Lowest Fixed Needs in Retirement (yr)	Average Fixed Needs Through Retirement	Highest Fixed Needs in Retirement (yr)
\$156,190 (2013)	\$156,190 (2013)	\$223,098	\$291,717 (2041)

Frank and Kathy's current objective is to plan for an average fixed need of approximately \$223,000 (future value) per year.

Keep in mind.....

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

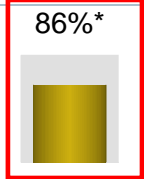
Current Plan

The starting point for your personalized retirement income and retirement incomes, both fixed and total, that exist d

Based on the current assumptions, Frank and Kathy are only able to cover 86% of their desired retirement goal.

Retirement Goal Progress

The assessment of your Current Plan results in **86%** coverage of your retirement needs.



In order to fully achieve your retirement goal you should consider **one** of the following strategies:

- Saving an additional \$6,577 /month in non-qualified investments (this may or may not be affordable).
- Investing a lump sum amount of \$225,065 in non-qualified investments for your retirement goal.
- Delay retirement until Frank is 64, in the year 2015 and Kathy is 62, in the year 2015.

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

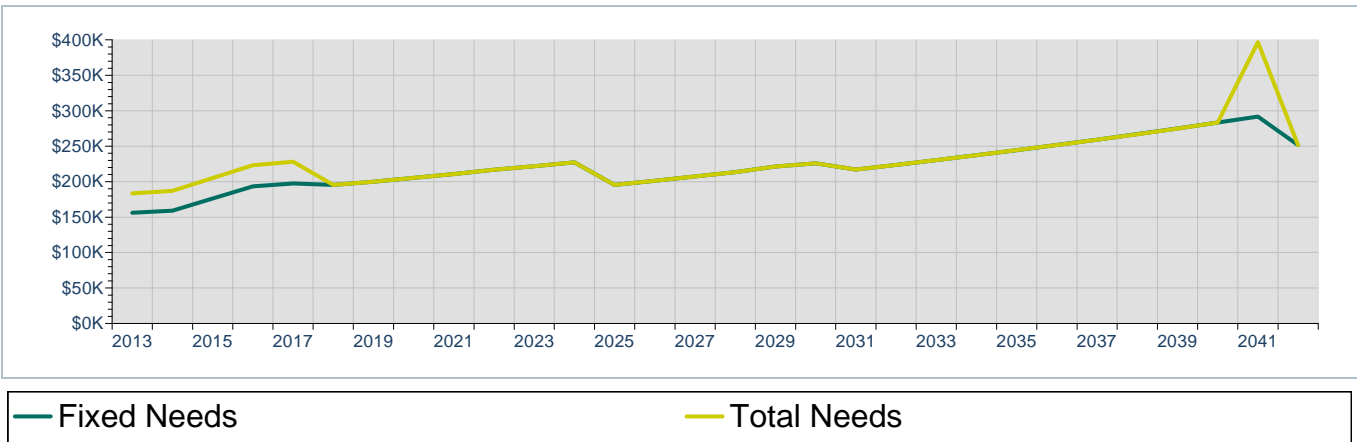
The good news is that we can implement strategies today to eliminate this shortfall. Presented are some possibilities: save more, spend less, and/or work longer.

Fixed vs. Total Retirement Needs

It is important to note that your expenses incre

A tailored solution for the client is illustrated in the *Proposed Plan* section of this report.

Fixed needs represent those expenses that are also include expenses that are more discretionary, which you might be able to alter if needed.



Average Fixed Needs \$223,098	Average Total Needs \$327,569
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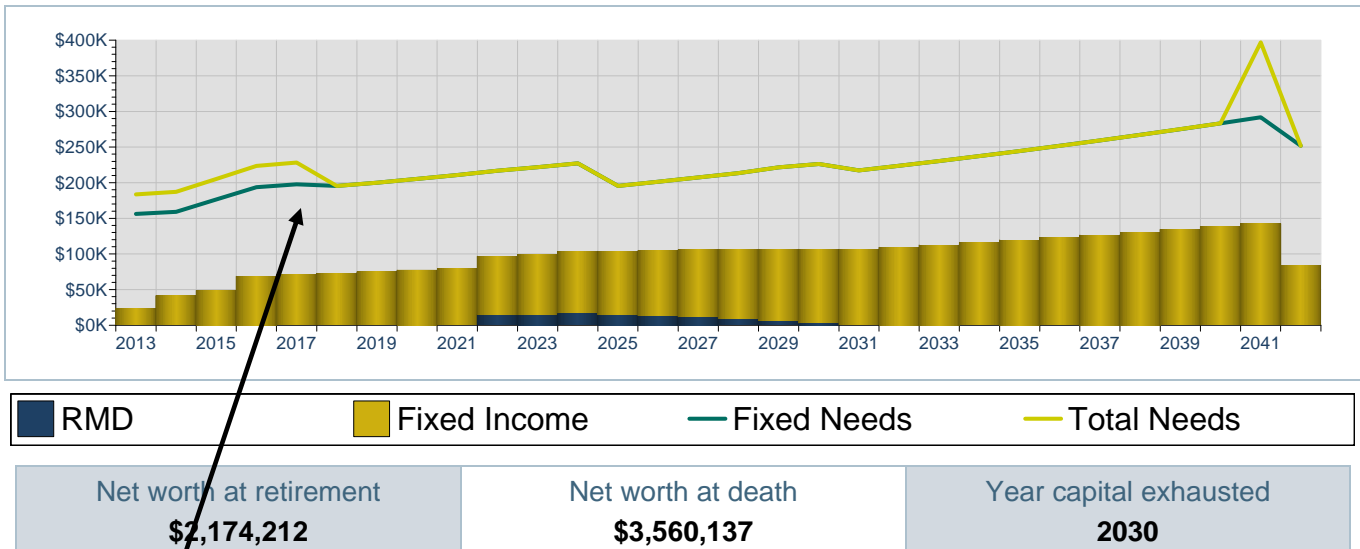
The average of Frank and Kathy's fixed and discretionary retirement needs. Estimate needs as accurately as possible to avoid the risk of **Overspending** – risk of spending too much too soon, and not having enough for later.

Fixed Income vs. Retirement Needs

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

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

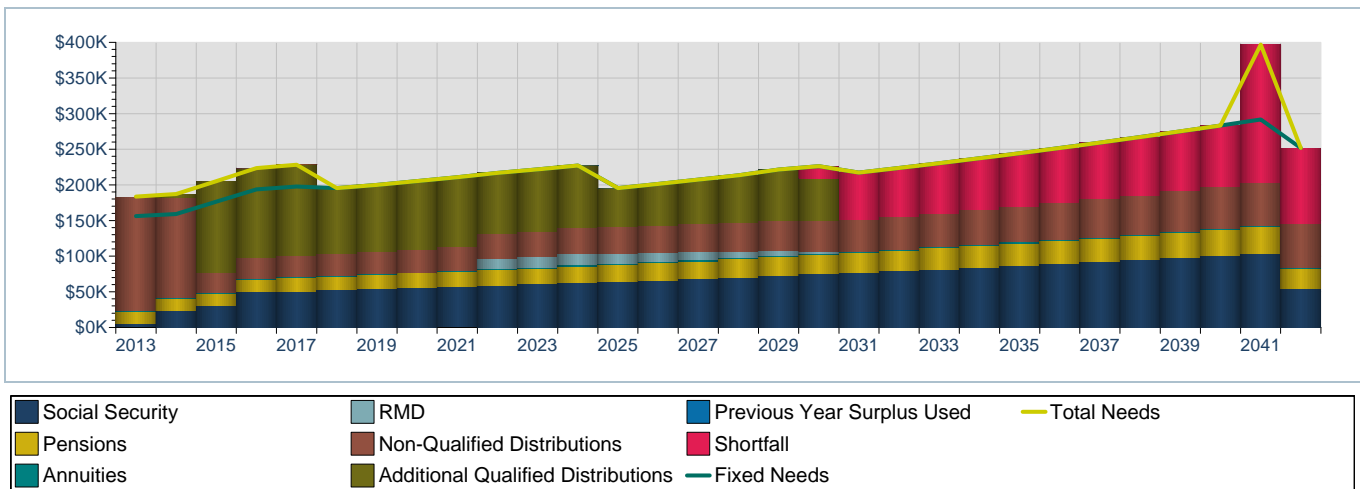
Review the *Total Income vs. Retirement Needs* graph to assess what income sources are available to implement one of these strategies.



Fixed Income gap – fixed income resources are insufficient to cover fixed needs. Frank and Kathy will need to take distributions from their non-qualified and qualified assets. They could also consider other income options, such as purchasing an annuity.

Total Income vs. Retirement Needs

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



% Fixed Needs Covered by Total Resources

86%

Goal Coverage*

87%

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

Total income including non-qualified and qualified distributions is insufficient to cover fixed needs during the retirement period.

Addressing Retirement Risks

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

- Addressing the risk of outliving your incomes and assets requires planning for a realistic retirement duration based on your personal life expectancy. Average life expectancies are best derived from general population statistics as well as your family history. The life expectancy assumed in your current retirement plan is 90 for Frank and 90 for Kathy.
- The inflation rate that you assume in your retirement plan should be reasonable, as this value may affect the amount of assets and income required to fully fund your retirement needs. If inflation is overstated or understated, it can drastically affect the planning that you've undertaken in your retirement plan. The inflation rate assumed in your current retirement plan is 3.00%.
- Have you considered the amount of risk and variability you can tolerate in your retirement portfolio? Does the inherent investment of your retirement assets suit the needs you have not only leading up to retirement but also when you require income from those assets during retirement? Your current retirement plan has a rate of return on your asset mix for retirement of 6.58%.
- Consider that retirement goals are different for you than for your neighbor. It is important to ensure that your retirement incomes are going to sustain the amount of fixed and discretionary spending that you have accounted for in your retirement plan. If shortfalls between the available income and the needs you have defined exist, it is important to revisit first the discretionary and then the fixed expenses in your retirement plan.
- Have you adequately accounted for rising healthcare costs throughout your retirement plan?

Risks inherent in retirement planning.

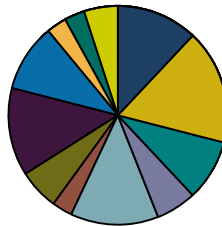
Your proposed retirement plan consists of strategies that will encourage you to move toward an optimal retirement plan that satisfies your goals, but may also address some of the risks faced in retirement.

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

- Additional monthly savings of \$100 indexed at 0.00% have been added to your proposed retirement plan.
- The percentage of fixed expenses to cover has changed to 90% in your proposed retirement plan.
- The percentage of discretionary expenses to cover has changed to 75% in your proposed retirement plan.

Asset Allocation

Suggested Asset Mix



Rate of Return	7.66%
Standard Deviation	13.22%

Retiring earlier, increasing savings, modifying the percentage of fixed and discretionary expenses that will be covered, modifying the distribution order of retirement assets and reallocating their current asset mix to suit their risk tolerance are examples of strategies that may help Frank and Kathy ensure they have sufficient resources throughout their retirement period.

Asset Class	Current Asset Mix		Suggested Asset Mix	
	(%)	(\$)	(%)	(\$)
Large Cap Growth Equity	11.3	93,000	12.0	98,400
Large Cap Value Equity	11.3	93,000	17.0	139,400
Mid Cap Equity	2.6	21,000	9.0	73,800
Small Cap Equity	12.9	105,500	6.0	49,200
International Equity	7.1	58,500	13.0	106,600
Emerging Markets Equity			3.0	24,600
Long Term Bonds	18.2	148,500	6.0	49,200
Intermediate Term Bonds	12.4	102,000	13.0	106,600
Short Term Bonds	8.5	69,500	10.0	82,000
High Yield Bonds			3.0	24,600
International Bonds			3.0	24,600
Cash	15.7	129,000	5.0	41,000
Total	100.0	820,000	100.0	820,000

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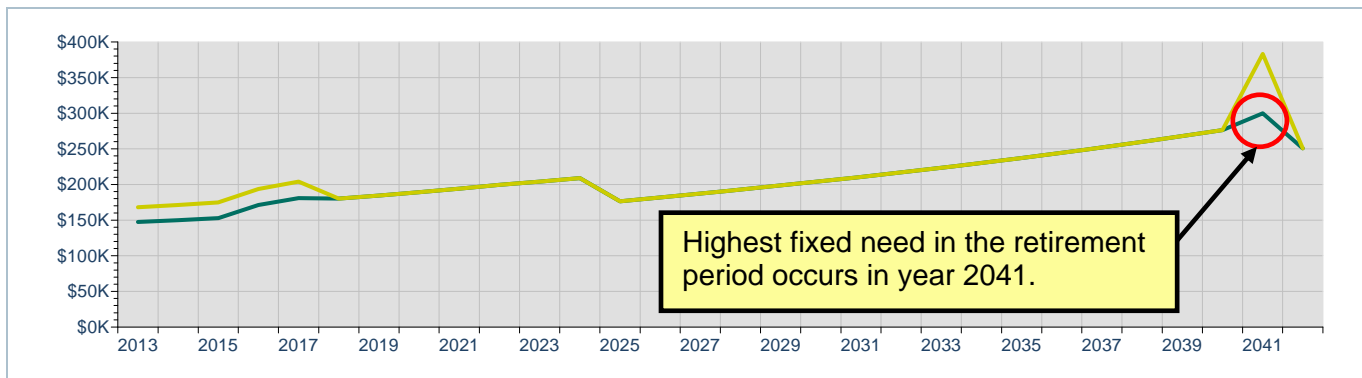
The assessment of your proposed plan results in **100%** coverage of your retirement needs.

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

Fixed vs. Total Retirement Needs

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

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



— Fixed Needs	— Total Needs
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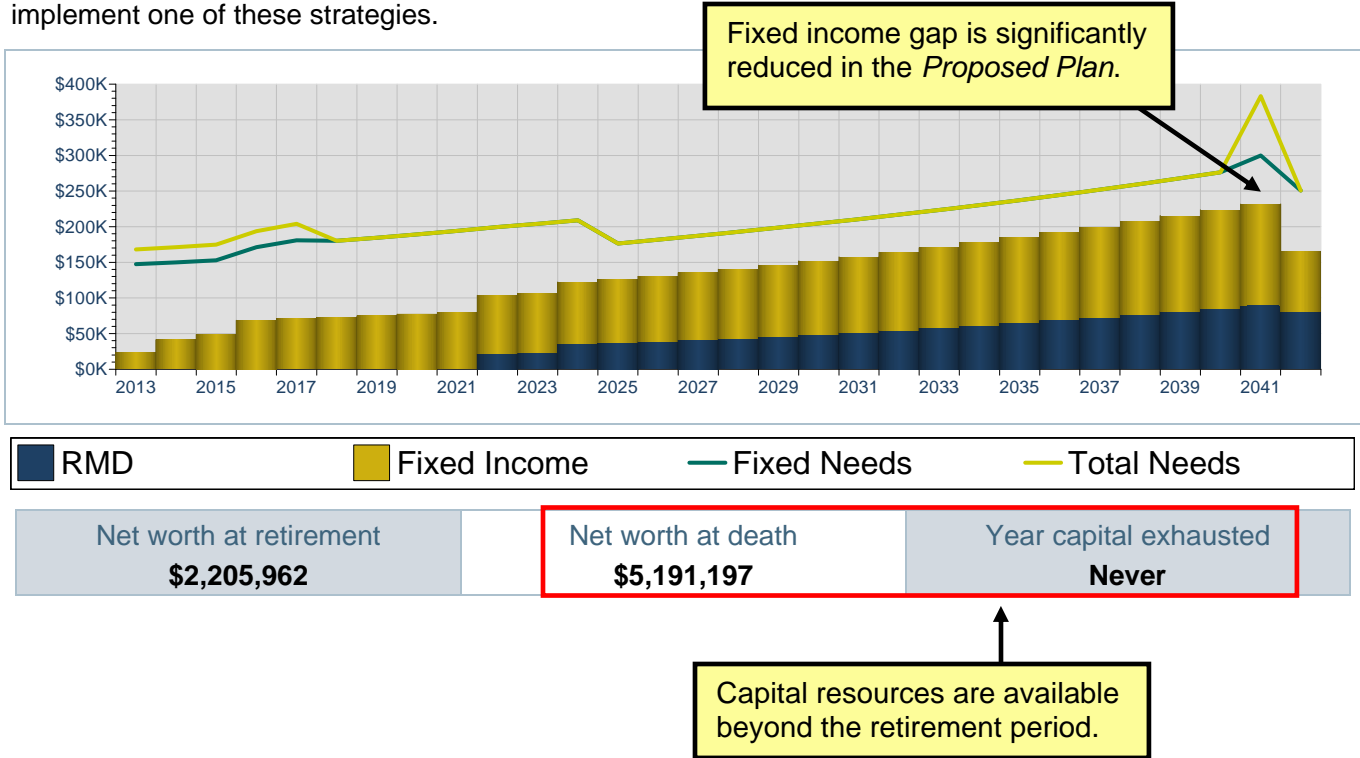
Fixed Needs in First Retirement Year (yr)	Average Fixed Needs	Average Total Needs	Lowest retirement needs	Highest retirement needs
\$147,491 (2013)	\$213,479	\$307,366	\$147,491 (2013)	\$299,758 (2041)

Fixed Income vs. Retirement Needs

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

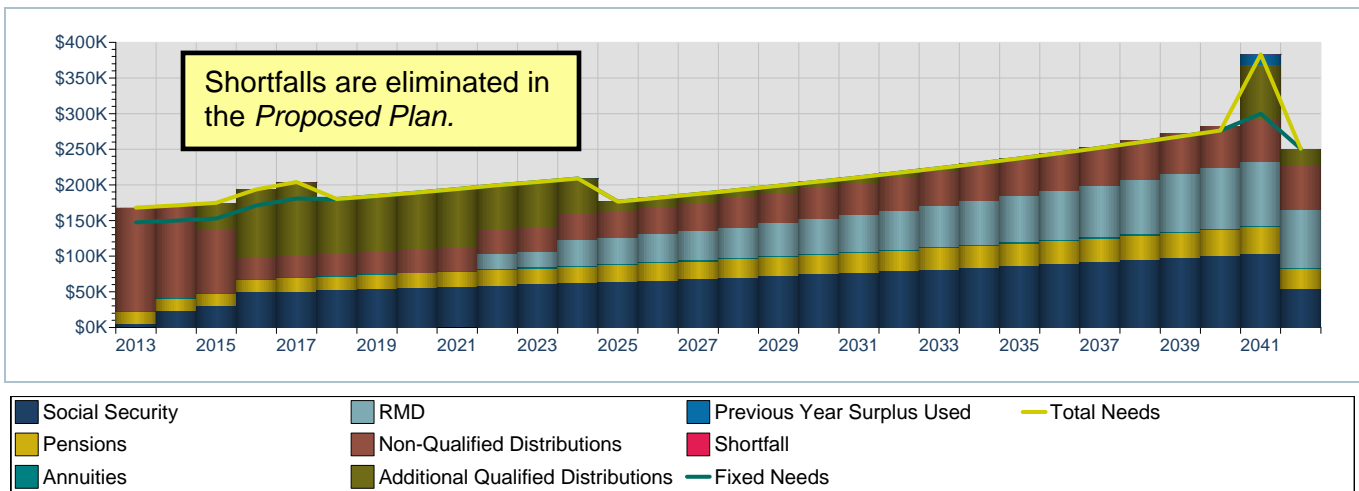
When an income shortfall is apparent between your fixed incomes and your fixed needs you can adopt various strategies: consider another approach to managing your retirement needs, consider ways to increase your fixed incomes to match your fixed needs, or use other variable income sources to fund your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

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



Total Income vs. Retirement Needs

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



% Fixed Needs Covered by Total Resources 100%	Goal Coverage* 100%
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*This value indicates the percentage of your total retirement needs that can be covered by your total retirement resources during your retirement time period.

Addressing Retirement Risks

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

- Life expectancy assumptions can affect the risk of longevity. It is important to ensure your retirement nest egg is built to limit the chance of you outliving your assets. The life expectancy assumed in your proposed retirement plan is 90 for Frank and 90 for Kathy.
- The inflation rate you assume on the cost of goods and services can be a risk throughout your life. You must plan prudently for this in retirement because your sources of earning may be less flexible and you must be prepared to increase the amount you spend annually just to maintain your lifestyle. The inflation rate assumed in your proposed retirement plan is 3.00%.
- Your proposed retirement plan has accounted for additional spending that may occur in retirement. It is important to constantly consider the risk of overspending is a constant consideration in your retirement budget to minimize the chances of running out of money. Annual reviews of your plan work to keep you aware of the risk of overspending.
- You have assessed the amount of risk and variability that is appropriate for your retirement portfolio, which is the first step in addressing market risk during retirement. Another important step in planning an investment strategy that works with your distribution planning is to revisit your asset growth and the types of investments you are using as you move through retirement is also an important step to planning an investment strategy that works with your distribution planning. Your proposed retirement plan has a rate of return on your asset mix for retirement of 7.66%.
- Identifying how you will fund health care related expenses that you may incur during retirement should be a careful consideration when planning for your retirement spending.

Probability Analysis

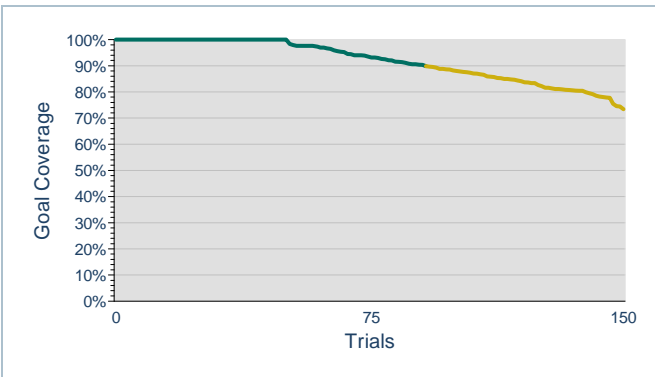
Probability Analysis addresses **Market risk**. Recommendations assume a static (deterministic) return rate for investment projections. In reality, the rate of return will fluctuate based on the stock market's behavior. *Probability Analysis* is a scientific measure of market behavior, which uses random (stochastic) return rates throughout the analysis. The following graphs illustrate the probability of covering your retirement needs in the event of market fluctuations.

Based on the assumptions that have been made, we consider the probability of achieving the planned assumptions for market growth on your retirement.

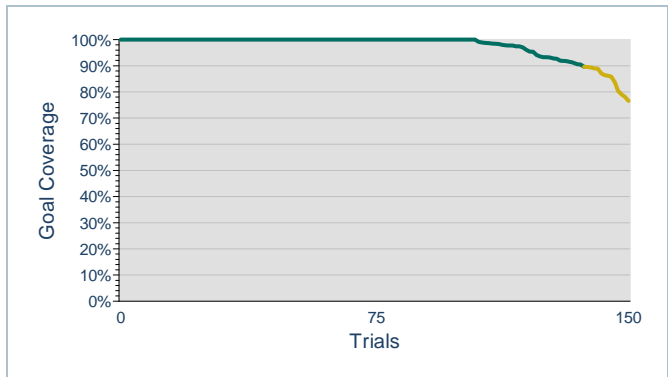
The following graphs illustrate the goal coverage for the current and proposed retirement plans. The graphs show the probability of covering your retirement needs (based on the available assets and by determining if the available assets meet or total needs).

Fixed needs covered by total resources

Current Plan



Proposed Plan



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

For the probability analysis, 150 trials were run. The results are as follows:

- In 91 trials 90% or more of the goal was covered
- In 59 trials 65% or more, but less than 90%, of the goal was covered
- In 0 trials less than 65% of the goal was covered

It is projected that the earliest age (year) at which you could not cover your fixed needs is 65 / 63 (2016).

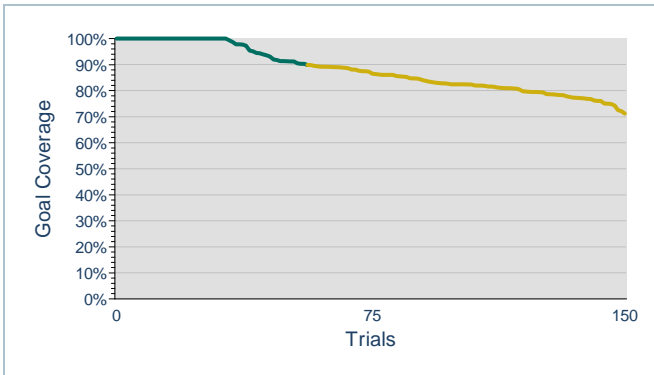
- In 136 trials 90% or more of the goal was covered
- In 14 trials 65% or more, but less than 90%, of the goal was covered
- In 0 trials less than 65% of the goal was covered

It is projected that the earliest age (year) at which you could not cover your fixed needs is 63 / 61 (2014).

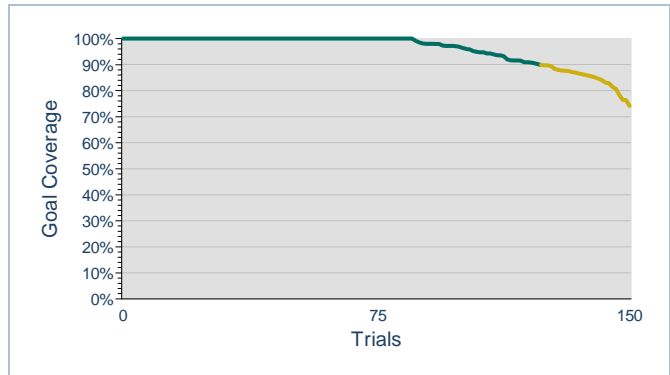
Probability of covering only the *fixed needs* during retirement has a high success rate.

Goal Coverage*

Current Plan



Proposed Plan



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

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

For the probability analysis, 150 trials were run. The results are as follows:

- In 56 trials 90% or more of the goal was covered
- In 94 trials 65% or more, but less than 90%, of the goal was covered
- In 0 trials less than 65% of the goal was covered
- In 123 trials 90% or more of the goal was covered
- In 27 trials 65% or more, but less than 90%, of the goal was covered
- In 0 trials less than 65% of the goal was covered

It is projected that the earliest age (year) at which you could not cover your total needs is 65 / 63 (2016).

It is projected that the earliest age (year) at which you could not cover your total needs is 63 / 61 (2014).

For details on the *Plan Probability* graph assumptions, refer to the Probability Assumptions section at the beginning of this document.

Probability of covering total needs during the retirement period.

Frank and Kathy's susceptibility to market risk has been reduced in the *Proposed Plan*.

Conclusion

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

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

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

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

Important Terminology

Explains terms used throughout the report.

Current Plan

The Current Plan consists of information provided and reviewed by you and serves as the basis for some of the assumptions used in the Proposed Plan.

Proposed Plan or Recommended Plan

The Proposed Plan or Recommended Plan is a system-generated plan that is projected based on achieving your stated goals by applying the additional assumptions contained within the recommended scenarios.

Scenarios

A scenario is a modification of assumptions based on the Current Plan. A recommended scenario is incorporated into the Proposed Plan or Recommended Plan.

Rate of return (Current - Not Rebalanced)

Current - Not Rebalanced does not rebalance the accounts linked to a goal. Each account linked to a goal maintains a separate rate of return.

Rate of return (Current - Rebalanced)

Current - Rebalanced rebalances the accounts linked to a goal and uses the weighted average rate of return of the linked assets.

Rate of return (suggested asset mix)

The rate of return that is calculated based on the investment profile as determined by answers to a risk tolerance questionnaire.

Rate of return (proposed plan)

The dollar-weighted average rate of return of the assets that are used in the Assumed/Suggested Asset Mix. This rate of return is the same as the *Rate of return (assumed/suggested asset mix)*.

Standard deviation

Standard deviation is a statistical measure of the volatility of an asset or account. It measures the degree to which the rate of return in any one year varies from the historical average rate of return for that investment; the greater the standard deviation, the riskier the investment.

Unlinked accounts

Unlinked accounts represent all non-qualified accounts that are not linked to a goal. (Qualified accounts are automatically linked to the retirement goal.) Unlinked accounts are assumed to be allocated to the estate.

Investment profile

The investment profile is the result of an analysis of an individual's investment objectives, time horizon, and risk tolerance in reference to investing.

Portfolio

The combination of assets a client owns and that are considered in this plan to fund the client's goal.

Time horizon

The length of time desired to achieve a financial goal. A longer time horizon usually allows an individual to withstand more volatility, whereas a shorter time horizon typically requires less volatility and more liquidity.

Asset mix

The combination of asset classes within an investment portfolio. It can also be a further division within an asset class of assets such as a mix of small, medium, and large company stock assets.

Current asset mix

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

Suggested asset mix

The asset mix that is derived based on the investment profile as determined by answers to a risk tolerance questionnaire.

Entire Portfolio

The Entire Portfolio for the Current Plan represents the asset mix of all accounts in the plan. The Entire Portfolio for the Proposed Plan is the combined suggested and assumed asset mixes associated with all of the goals included in the plan.

Average Tax Rate

The assumed average tax rate that is applied against salary, self-employed, Social Security, defined benefit, pension and other taxable income. The assumed average tax rate is typically less than the marginal tax rate based on the assumption that income is spread over multiple tax brackets.

Community Property

In states with community property laws, any property acquired by a married couple residing in a community property state is considered to be equally owned by both parties.

Annuitize

Refers to the transition of an annuity contract from the accumulation phase into the income distribution phase. In the income distribution phase the accumulated value of the annuity is distributed via a computed stream of income payments over a duration of time or through varying withdrawals from the annuity.

Inflation Rate / Index Rate

The rate that dollar values are discounted over time. The rate is measured by an index that indicates the change in the cost of various goods and services as a percentage.

Marginal Tax Rate

The marginal tax rate is derived from the federal income tax brackets. It is the amount of tax that would be paid on any additional dollars of income. It is applied against interest, dividend (after 2010), royalty, alimony and short-term capital gains income.

Required minimum distribution (RMD)

The amount required by the IRS to be withdrawn each year from traditional IRAs and employer-sponsored retirement plans, starting on the required beginning date, which generally, but not always, occurs in the year following the year in which the owner turns 70½.

Fixed Expenses

Fixed expenses include ongoing expenses that you have determined cannot be easily changed or eliminated, such as basic living expenses or retirement expenses.

Fixed Needs

Fixed needs include all your fixed expenses, plus other expenses that have been calculated based on your financial information. These expenses include liability payments, insurance premiums, property taxes, and income taxes.

Total Needs

The definition of total needs includes all fixed needs, all other expenses that are not considered in the fixed needs definition, and total taxes. The total needs in the plan account in part for expenses that are more discretionary in nature.

Fixed Incomes

The definition of fixed incomes includes the pre-tax income from the following income sources: Benefit Formula and Estimate Benefit pensions, income entered with the type *Pension*, Social Security income of the family head(s) (retirement, survivor, and disability benefits), income entered with the type *Salary*, and annuity income (excluding income from annuities with the annuitization type of *Withdrawals as Needed*).

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.

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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.

Important acronyms

SOY - Start of year
EOY - End of year
RMD - Required minimum distribution
ROR - Rate of return

Optional appendices are available when generating the report.

NaviPlan

Appendix - Distribution Schedules - Recommended Plan

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

Retirement Income and Expenses

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

Year	Age	Social Security	Pensions	Annuities	Earned Income	RMD	Non-Qualified Distributions	Additional Qualified Distributions	Other Inflows	Previous Year Surplus Used	Fixed Needs	Total Needs	Total Taxes	Current Surplus/(Deficit)
2013	*62/60*	5,631	16,391	1,574	0	0	144,384	0	0	0	147,491	167,980	10,555	0
2014	63/61	23,201	16,883	1,574	0	0	129,430	0	0	0	149,984	171,088	12,663	0
2015	64/62	29,918	17,389	1,574	0	0	89,021	36,795	0	0	152,961	174,697	12,492	0
2016	65/63	49,423	17,911	1,574	0	0	28,657	96,114	0	0	171,281	193,670	27,872	9
2017	66/64	50,905	18,448	1,574	0	0	29,517	103,571	0	9	180,966	204,026	35,118	(10)
2018	67/65	52,433	19,002	1,574	0	0	30,402	76,653	0	0	180,063	180,063	30,976	0
2019	68/66	54,006	19,572	1,574	0	0	31,315	77,818	0	0	184,284	184,284	32,055	0
2020	69/67	55,626	20,159	1,574	0	0	32,254	79,548	0	0	189,150	189,150	33,273	10
2021	70/68	57,295	20,764	1,574	0	0	33,222	81,315	0	1	194,170	194,170	34,535	(1)
2022	71/69	59,013	21,386	1,574	0	21,819	34,218	61,509	0	3	199,523	199,523	36,018	(3)
2023	72/70	60,784	22,028	1,574	0	22,189	35,245	62,119	0	1	203,940	203,940	36,448	(1)
2024	73/71	62,607	22,689	1,574	0	35,901	36,302	49,698	0	1	208,772	208,772	37,300	(1)
2025	74/72	64,485	23,370	1,574	0	36,528	37,391	12,997	0	2	176,348	176,348	30,905	(2)
2026	75/73	66,420	24,071	1,574	0	38,668	38,513	12,395	0	0	181,641	181,641	31,842	0
2027	76/74	68,413	24,793	1,574	0	40,965	39,668	11,679	0	0	187,092	187,092	32,807	0
2028	77/75	70,465	25,536	1,574	0	43,306	40,858	10,967	0	0	192,706	192,706	33,800	0
2029	78/76	72,579	26,303	1,574	0	45,955	42,084	9,996	0	0	198,491	198,491	34,824	0
2030	79/77	74,756	27,092	1,574	0	48,573	43,347	9,108	0	0	204,449	204,449	35,879	0
2031	80/78	76,999	27,904	1,574	0	51,466	44,647	7,995	0	0	210,586	210,586	36,966	0
2032	81/79	79,309	28,742	1,574	0	54,480	45,986	6,816	0	0	216,907	216,907	38,086	0
2033	82/80	81,688	29,604	1,574	0	57,718	47,366	5,458	0	0	223,417	223,417	39,239	(9)
2034	83/81	84,139	30,492	1,574	0	61,204	48,787	3,934	0	0	230,128	230,128	40,431	2
2035	84/82	86,663	31,407	1,574	0	64,966	50,251	2,179	0	0	237,037	237,037	41,657	3
2036	85/83	89,263	32,349	1,574	0	68,740	51,758	471	0	0	244,152	244,152	42,918	3
2037	86/84	91,941	33,319	1,574	0	72,794	53,311	0	0	0	251,763	251,763	44,499	1,176
2038	87/85	94,699	34,319	1,574	0	76,865	54,910	0	0	0	259,677	259,677	46,202	2,690
2039	88/86	97,540	35,348	1,574	0	81,079	56,558	0	0	0	267,832	267,832	47,960	4,267
2040	89/87	100,466	36,409	1,574	0	85,424	58,254	0	0	0	276,233	276,233	49,772	5,895
2041	90/88	103,480	37,501	1,574	0	89,387	60,002	77,039	0	14,027	299,758	383,010	66,511	(14,027)
2042	--/89	53,503	28,970	1,574	0	81,112	61,802	23,647	0	0	250,606	250,606	45,252	1
2043	--/90	55,108	29,839	1,574	0	56,762	4,490,104	952,758	0	0	346,455	3,064,915	1,864,490	2,521,230

* = Year of retirement

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

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Required Minimum Distributions

Minimum payments are required starting in year 2022 for Frank and year 2024 for Kathy.

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

Qualified Distributions									
Year	Ages	SOY Qualified Market Value	Client's Minimum Distributions	Co-Client's Minimum Distributions	Additional Qualified Distributions	Contributions for Qualified Assets	Reinvested Income for Qualified Assets	Qualified Growth	EOY Qualified Market Value
2013	*62/60*	836,437	0	0	0	0	56,384	7,725	900,546
2014	63/61	900,546	0	0	0	0	60,706	8,317	969,569
2015	64/62	969,569	0	0	36,795	0	65,359	8,954	1,007,086
2016	65/63	1,007,086	0	0	96,114	0	67,888	9,300	988,160
2017	66/64	988,160	0	0	103,571	0	66,612	9,126	960,326
2018	67/65	960,326	0	0	76,653	0	64,736	8,869	957,278
2019	68/66	957,278	0	0	77,818	0	64,530	8,840	952,830
2020	69/67	952,830	0	0	79,548	0	64,230	8,799	946,312
2021	70/68	946,312	0	0	81,315	0	63,791	8,739	937,528
2022	71/69	937,528	21,819	0	61,509	0	61,773	8,551	925,155
2023	72/70	925,155	22,189	0	62,119	0	60,914	8,435	910,839
2024	73/71	910,839	22,517	13,384	49,698	0	59,053	8,236	893,568
2025	74/72	893,568	23,089	13,440	12,997	0	57,848	8,073	911,022
2026	75/73	911,022	24,491	14,178	12,395	0	58,885	8,224	928,187
2027	76/74	928,187	25,994	14,971	11,679	0	59,892	8,371	944,991
2028	77/75	944,991	27,479	15,827	10,967	0	60,871	8,515	961,359
2029	78/76	961,359	29,207	16,748	9,996	0	61,802	8,653	977,192
2030	79/77	977,192	30,909	17,663	9,108	0	62,698	8,787	992,403
2031	80/78	992,403	32,727	18,739	7,995	0	63,534	8,913	1,006,878
2032	81/79	1,006,878	34,675	19,805	6,816	0	64,313	9,032	1,020,504
2033	82/80	1,020,504	36,760	20,958	5,458	0	65,020	9,142	1,033,161
2034	83/81	1,033,161	38,997	22,207	3,934	0	65,645	9,242	1,044,681
2035	84/82	1,044,681	41,402	23,565	2,179	0	66,176	9,330	1,054,922
2036	85/83	1,054,922	43,694	25,046	471	0	66,620	9,406	1,063,726
2037	86/84	1,063,726	46,134	26,661	0	0	66,948	9,467	1,069,454
2038	87/85	1,069,454	48,679	28,186	0	0	67,068	9,500	1,071,382
2039	88/86	1,071,382	51,308	29,771	0	0	66,923	9,498	1,069,070
2040	89/87	1,069,070	54,010	31,414	0	0	66,483	9,455	1,062,056
2041	90/88	1,062,056	56,277	33,110	77,039	0	65,751	9,371	973,340
2042	--/89	973,340	0	81,112	23,647	0	60,312	8,592	939,832

* = Year of retirement

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

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Net Worth During Retirement

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

Year	Ages	Non-Qualified Assets	Qualified Assets	Total Lifestyle Assets	Total Liabilities	Accumulated Surplus/(Deficit)	Total Net Worth
2013	*62/60*	904,835	900,546	703,581	244,171	0	2,264,791
2014	63/61	849,687	969,569	717,653	227,997	0	2,308,911
2015	64/62	830,580	1,007,086	732,006	210,826	0	2,358,846
2016	65/63	870,207	988,160	746,646	192,596	9	2,412,426
2017	66/64	911,821	960,326	761,579	173,241	(1)	2,460,484
2018	67/65	955,522	957,278	776,810	152,692	(1)	2,536,916
2019	68/66	1,001,414	952,830	792,346	130,877	(1)	2,615,713
2020	69/67	1,049,607	946,312	808,193	107,715	10	2,696,407
2021	70/68	1,100,216	937,528	824,357	83,125	8	2,778,984
2022	71/69	1,153,363	925,155	840,844	57,018	5	2,862,349
2023	72/70	1,209,174	910,839	857,661	29,301	4	2,948,377
2024	73/71	1,267,784	893,568	874,814	0	3	3,036,170
2025	74/72	1,329,332	911,022	892,311	0	1	3,132,665
2026	75/73	1,393,965	928,187	910,157	0	1	3,232,310
2027	76/74	1,461,839	944,991	928,360	0	1	3,335,191
2028	77/75	1,533,116	961,359	946,927	0	1	3,441,402
2029	78/76	1,607,965	977,192	965,866	0	1	3,551,023
2030	79/77	1,686,566	992,403	985,183	0	1	3,664,153
2031	80/78	1,769,108	1,006,878	1,004,887	0	0	3,780,873
2032	81/79	1,855,787	1,020,504	1,024,985	0	0	3,901,276
2033	82/80	1,946,810	1,033,161	1,045,484	0	(9)	4,025,447
2034	83/81	2,042,396	1,044,681	1,066,394	0	(6)	4,153,465
2035	84/82	2,142,773	1,054,922	1,087,722	0	(4)	4,285,413
2036	85/83	2,248,181	1,063,726	1,109,476	0	(1)	4,421,383
2037	86/84	2,358,873	1,069,454	1,131,666	0	1,175	4,561,168
2038	87/85	2,475,111	1,071,382	1,154,299	0	3,866	4,704,658
2039	88/86	2,597,176	1,069,070	1,177,385	0	8,133	4,851,763
2040	89/87	2,725,357	1,062,056	1,200,933	0	14,027	5,002,373
2041	90/88	2,859,963	973,340	1,224,951	0	0	5,058,254
2042	--/89	3,001,913	939,832	1,249,450	0	1	5,191,197

* = Year of retirement

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

An estate is projected which could necessitate estate planning.