

# Financial Analysis

PREPARED FOR:

**John and Jane Doe**

October 03, 2020

PREPARED BY:

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# Financial Snapshot

## Current Plan - John and Jane Doe

### Goal Coverage

Retirement	<div><div></div></div>	100%
College Education (John Jr.)	<div><div></div></div>	99%
College Education (Jane Jr., Jane Jr.)	<div><div></div></div>	100%
Surv. Income - John passes away	<div><div></div></div>	85%
Surv. Income - Jane passes away	<div><div></div></div>	84%
Surv. Income - Both pass away	<div><div></div></div>	100%
Disability Income - John	<div><div></div></div>	100%
Disability Income - Jane	<div><div></div></div>	100%
Long Term Care - John	<div><div></div></div>	100%
Long Term Care - Jane	<div><div></div></div>	100%

### Asset Allocation

Rate of Return	5.03%
Standard Deviation	9.41%

Asset Class	(\$)	(%)
Intermediate Term Bonds	\$150,547	18.02%
Large Cap Value Equity	\$147,206	17.62%
Large Cap Growth Equity	\$92,317	11.05%
International Equity	\$91,899	11.00%
Mid Cap Equity	\$82,375	9.86%
International Bonds	\$59,066	7.07%
Long Term Bonds	\$51,213	6.13%
Small Cap Equity	\$30,912	3.70%
Cash	\$29,993	3.59%
Short Term Bonds	\$24,061	2.88%
Others	\$75,859	9.08%
<b>Total</b>	<b>\$835,446</b>	

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### Net Worth

**\$1,311,682**

Assets	<div><div></div></div>	\$1,479,791
Liabilities	<div><div></div></div>	\$168,109

### Cash Flow

**\$22,416**

Inflows	<div><div></div></div>	\$275,440
Outflows	<div><div></div></div>	\$253,024

### Probability of Success

Retirement	<div><div></div></div>	100%
College Education (John Jr.)	<div><div></div></div>	96%
College Education (Jane Jr., Jane Jr.)	<div><div></div></div>	96%

### Assumptions

	John	Jane
Inflation Rate	3.00%	3.00%
Retire At	60	55
Life Expectancy	100	100

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## Insurance Coverage

<b>John</b>		<b>Benefit Amount</b>
Term 20 Life		\$250,000
Term 1 Life		\$244,000
Whole Life		\$115,000
<b>Jane</b>		<b>Benefit Amount</b>
Term 1 Life		\$447,500
Term 1 Life		\$447,500
Variable Life		\$48,500
Whole Life		\$111,000
<b>Other</b>	<b>Insured</b>	<b>Benefit Amount</b>
Variable Universal Life	Other	\$100,000
Variable Universal Life	Other	\$100,000

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# Net Worth Statement

## Current Plan

This report displays a comprehensive list of your assets and liabilities as of **Oct 3, 2020**. Use this report to better understand your net worth situation. **Note:** Term life insurance policies and annuitized annuities do not appear on this report as they have no cash value.

Assets	John	Jane	Joint	Total
<b>Non-Qualified Assets</b>				
Savings Account Two	\$3,075			\$3,075
John Jr. Variable Universal Life	\$3,600			\$3,600
Whole Life	\$15,000			\$15,000
Jane Jr. Variable Universal Life	\$3,500			\$3,500
Variable Whole Life		\$12,870		\$12,870
Whole Life		\$11,000		\$11,000
NEXT Select Moderately Conservative JT TOD			\$70,118	\$70,118
EE Savings Bonds			\$9,179	\$9,179
Savings Account One			\$12,551	\$12,551
<b>Total</b>	<b>\$25,175</b>	<b>\$23,870</b>	<b>\$91,848</b>	<b>\$140,893</b>
<b>Qualified Assets</b>				
Employer 401(k) Retirement Plan	\$216,496			\$216,496
NEXT Select Inherited IRA		\$36,551		\$36,551
Employer Retirement Plan		\$382,917		\$382,917
John Jr. 529 Plan		\$9,736		\$9,736
Jane Jr. 529 Plan		\$73,137		\$73,137
<b>Total</b>	<b>\$216,496</b>	<b>\$502,341</b>	<b>\$0</b>	<b>\$718,836</b>
<b>Qualified Annuities</b>				
IRA Annuity	\$21,687			\$21,687
<b>Total</b>	<b>\$21,687</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,687</b>
<b>Lifestyle Assets</b>				
Residence			\$550,000	\$550,000
Vehicle One			\$14,750	\$14,750
Vehicle Two			\$10,817	\$10,817
Vehicle Three			\$22,808	\$22,808
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$598,375</b>	<b>\$598,375</b>

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Liabilities	John	Jane	Joint	Total
Mortgage			\$142,444	\$142,444
Auto Loan			\$25,665	\$25,665
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$168,109</b>	<b>\$168,109</b>
<b>Total Net Worth</b>	<b>\$263,357</b>	<b>\$526,211</b>	<b>\$522,114</b>	<b>\$1,311,682</b>

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# Cash Flow Outlook

## Current Plan

This report projects itemized cash flow information over the duration of the selected years. Cash inflows and outflows are categorized by source and summarized as aggregate totals. This provides an overview of your cash flow projections.

Year Age	2020 56/54	2021 57/55*	2022 58/56	2024 *60/58	2025 61/59
<b>Cash Inflows</b>					
<b>Earned Income</b>					
Jane's Salary (Jane)	\$149,170	\$141,826	\$0	\$0	\$0
John's Salary (John)	\$122,445	\$126,118	\$129,902	\$127,212	\$0
Total	\$271,615	\$267,945	\$129,902	\$127,212	\$0
<b>Pensions</b>					
Jane's Pension (Jane)	\$0	\$0	\$84,847	\$84,847	\$84,847
John's Pension (John)	\$0	\$0	\$0	\$0	\$43,032
Total	\$0	\$0	\$84,847	\$84,847	\$127,879
<b>Qualified Liquidations</b>					
NEXT Select Inherited IRA (Jane)	\$1,204	\$1,250	\$1,301	\$1,411	\$1,469
John Jr. 529 Plan (Jane)	\$0	\$9,822	\$0	\$0	\$0
Jane Jr. 529 Plan	\$0	\$21,000	\$22,050	\$11,014	\$0
IRA Annuity (John)	\$0	\$0	\$0	\$0	\$0
Total	\$1,204	\$32,072	\$23,351	\$12,425	\$1,469
<b>Non-Qualified Liquidations</b>					
EE Savings Bonds (Joint)	\$0	\$169	\$0	\$1,243	\$8,463
NEXT Select Moderately Conservative JT...	\$0	\$0	\$0	\$49,430	\$11,310
Total	\$0	\$169	\$0	\$50,673	\$19,774
<b>Investment Income</b>					
*Accrued Income - Interest (Jane)	\$201	\$0	\$0	\$0	\$0
*Accrued Income - Dividends (Jane)	\$151	\$0	\$0	\$0	\$0
*Accrued Income - Short Term Cap Gai...	\$210	\$0	\$0	\$0	\$0
*Accrued Income - Tax Free (Jane)	\$276	\$0	\$0	\$0	\$0
*Accrued Income - Interest (John)	\$255	\$0	\$0	\$0	\$0
*Accrued Income - Dividends (John)	\$151	\$0	\$0	\$0	\$0
*Accrued Income - Short Term Cap Gai...	\$210	\$0	\$0	\$0	\$0
*Accrued Income - Tax Free (John)	\$276	\$0	\$0	\$0	\$0
NEXT Select Moderately Conservative JT...	\$749	\$2,257	\$2,315	\$2,439	\$857

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Year Age	2020 56/54	2021 57/55*	2022 58/56	2024 *60/58	2025 61/59
<b>Cash Inflows</b>					
Savings Account One (Joint)	\$112	\$338	\$344	\$357	\$364
Savings Account Two (John)	\$27	\$83	\$84	\$88	\$89
Savings Account Three (John)	\$0	\$0	\$0	\$0	\$0
Total	\$2,620	\$2,677	\$2,744	\$2,884	\$1,310
<b>Real Property Liquidations</b>					
Residence (Joint)	\$0	\$0	\$0	\$550,000	\$0
Total	\$0	\$0	\$0	\$550,000	\$0
<b>Miscellaneous Income</b>					
Retirement Mortgage (Joint)	\$0	\$0	\$0	\$250,000	\$0
Total	\$0	\$0	\$0	\$250,000	\$0
<b>Total Cash Inflows</b>	<b>\$275,440</b>	<b>\$302,862</b>	<b>\$240,844</b>	<b>\$1,078,040</b>	<b>\$150,432</b>
<b>Cash Outflows</b>					
<b>Lifestyle Expenses</b>					
National Grid (Joint)	\$5,500	\$5,665	\$5,835	\$6,190	\$0
Umbrella Policy (Joint)	\$600	\$618	\$637	\$675	\$0
Auto Insurance (Joint)	\$3,600	\$3,708	\$3,819	\$4,052	\$0
Home Owners Insurance (Joint)	\$1,600	\$1,648	\$1,697	\$1,801	\$0
Cell phone (Joint)	\$4,200	\$4,326	\$4,456	\$4,727	\$0
Gifts for Family (Joint)	\$2,000	\$2,060	\$2,122	\$2,251	\$2,319
Water (Joint)	\$1,200	\$1,236	\$1,273	\$1,351	\$0
Garbage (Joint)	\$600	\$618	\$637	\$675	\$696
Cable (Joint)	\$2,400	\$2,472	\$2,546	\$2,701	\$2,782
Home Maintenance (Joint)	\$7,500	\$7,725	\$7,957	\$8,441	\$0
Food etc. (Joint)	\$15,000	\$15,450	\$15,914	\$16,883	\$0
Auto Maintenance (Joint)	\$2,000	\$2,060	\$2,122	\$2,251	\$0
Clothing (Joint)	\$5,000	\$5,150	\$5,305	\$5,628	\$0
Recreation (Joint)	\$7,500	\$7,725	\$7,957	\$8,441	\$0
Fuel (Joint)	\$5,000	\$5,150	\$5,305	\$5,628	\$0
Vacation (Joint)	\$4,000	\$4,120	\$4,244	\$4,502	\$0
Miscellaneous (Joint)	\$5,000	\$5,150	\$5,305	\$5,628	\$5,796
Dining/Take Out (Joint)	\$5,000	\$5,150	\$5,305	\$5,628	\$5,796
Gifts (Joint)	\$2,000	\$2,060	\$2,122	\$2,251	\$0
Household Supplies (Joint)	\$2,000	\$2,060	\$2,122	\$2,251	\$0

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Year Age	2020 56/54	2021 57/55*	2022 58/56	2024 *60/58	2025 61/59
<b>Cash Outflows</b>					
Mortgage (Joint)	\$26,616	\$26,616	\$26,616	\$68,865	\$0
Auto Loan (Joint)	\$6,324	\$6,324	\$6,324	\$6,324	\$518
Retirement Home Closing Costs (Joint)	\$0	\$0	\$0	\$12,500	\$0
Retirement Home (Joint)	\$0	\$0	\$0	\$750,000	\$0
Retirement Mortgage (Joint)	\$0	\$0	\$0	\$6,715	\$16,116
Auto Loans (Joint)	\$0	\$0	\$0	\$0	\$7,651
Auto Insurance (Joint)	\$0	\$0	\$0	\$0	\$3,478
Auto Maintenance (Joint)	\$0	\$0	\$0	\$0	\$1,159
Umbrella Policy (Joint)	\$0	\$0	\$0	\$0	\$1,159
Gas and Electric (Joint)	\$0	\$0	\$0	\$0	\$6,956
Misc Utilities (Joint)	\$0	\$0	\$0	\$0	\$1,391
Cell Phone (Joint)	\$0	\$0	\$0	\$0	\$4,637
HOA (Joint)	\$0	\$0	\$0	\$0	\$5,796
Food (Joint)	\$0	\$0	\$0	\$0	\$11,593
Clothing (Joint)	\$0	\$0	\$0	\$0	\$3,478
Fuel (Joint)	\$0	\$0	\$0	\$0	\$2,319
Recreation/Vacation (Joint)	\$0	\$0	\$0	\$0	\$23,185
Gifts (Joint)	\$0	\$0	\$0	\$0	\$1,159
Homeowners Ins (Joint)	\$0	\$0	\$0	\$0	\$2,319
<b>Total</b>	<b>\$114,640</b>	<b>\$117,091</b>	<b>\$119,616</b>	<b>\$936,358</b>	<b>\$110,303</b>
<b>Medical Expenses</b>					
Health Insurance (Joint)	\$6,110	\$6,293	\$6,482	\$6,877	\$7,083
Dental Insurance (Joint)	\$500	\$515	\$530	\$563	\$0
Dental (Joint)	\$0	\$0	\$0	\$0	\$1,159
<b>Total</b>	<b>\$6,610</b>	<b>\$6,808</b>	<b>\$7,013</b>	<b>\$7,440</b>	<b>\$8,242</b>
<b>Education Expenses</b>					
College Education (John Jr.)	\$0	\$10,000	\$0	\$0	\$0
College Education (Jane Jr.)	\$0	\$21,000	\$22,050	\$0	\$0
College Education (Jane Jr.)	\$0	\$0	\$0	\$12,155	\$0
<b>Total</b>	<b>\$0</b>	<b>\$31,000</b>	<b>\$22,050</b>	<b>\$12,155</b>	<b>\$0</b>
<b>Qualified Contributions</b>					
Employer Retirement Plan (Jane)	\$26,000	\$26,000	\$0	\$0	\$0

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Year Age	2020 56/54	2021 57/55*	2022 58/56	2024 *60/58	2025 61/59
<b>Cash Outflows</b>					
Employer 401(k) Retirement Plan (John)	\$14,693	\$15,134	\$15,588	\$15,265	\$0
Total	\$40,693	\$41,134	\$15,588	\$15,265	\$0
<b>Non-Qualified Reinvestments</b>					
*Income already represented in valuat...	\$839	\$0	\$0	\$0	\$0
*Income already represented in valuat...	\$893	\$0	\$0	\$0	\$0
NEXT Select Moderately Conservative JT...	\$622	\$1,873	\$1,922	\$0	\$0
Savings Account One (Joint)	\$78	\$235	\$240	\$257	\$284
Savings Account Two (John)	\$19	\$58	\$59	\$63	\$70
Savings Account Three (John)	\$0	\$0	\$0	\$0	\$0
Total	\$2,451	\$2,165	\$2,220	\$320	\$354
<b>Investment Expenses</b>					
Residence (Joint)	\$0	\$0	\$0	\$33,000	\$0
Total	\$0	\$0	\$0	\$33,000	\$0
<b>Miscellaneous Expenses</b>					
Charitable Contributions (John)	\$2,000	\$2,060	\$0	\$0	\$0
Residence (Joint)	\$10,080	\$10,382	\$10,694	\$6,618	\$0
Variable Whole Life (Jane)	\$276	\$276	\$276	\$276	\$276
Whole Life (Jane)	\$840	\$840	\$840	\$840	\$840
Group Life (Jane)	\$756	\$693	\$0	\$0	\$0
John Jr. Variable Universal Life	\$300	\$300	\$300	\$300	\$300
Group Life (John)	\$180	\$180	\$180	\$165	\$0
Whole Life (John)	\$1,164	\$1,164	\$1,164	\$1,164	\$1,164
Jane Jr. Variable Universal Life (John)	\$300	\$300	\$300	\$300	\$300
20 Year Term (John)	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Retirement Home (Joint)	\$0	\$0	\$0	\$5,159	\$12,752
Total	\$17,096	\$17,395	\$14,954	\$16,022	\$16,832
<b>Taxes</b>					
Federal Income Tax	\$38,435	\$36,944	\$29,890	\$35,396	\$14,700
State Income Tax	\$12,837	\$12,066	\$10,116	\$12,353	\$0
Social Security Tax - Employment	\$16,129	\$16,613	\$8,054	\$7,887	\$0
Medicare Tax	\$4,133	\$4,047	\$1,884	\$1,845	\$0
Total	\$71,534	\$69,670	\$49,944	\$57,481	\$14,700
<b>Total Cash Outflows</b>	<b>\$253,024</b>	<b>\$285,264</b>	<b>\$231,384</b>	<b>\$1,078,040</b>	<b>\$150,432</b>

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Year	2020	2021	2022	2024	2025
Age	56/54	57/55*	58/56	*60/58	61/59
<b>Surplus/(Deficit)</b>	<b>\$22,416</b>	<b>\$17,598</b>	<b>\$9,460</b>	<b>\$0</b>	<b>\$0</b>

\* = year of retirement

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# Retirement Income & Expenses

## Current Plan

This report shows your annual cash flow during the retirement period, for the selected scenario. Positive cash flow values are shown in bold whereas negative values are shown in red and in parentheses. Use this report to show detailed cash flow information and thereby demonstrate the underlying numbers that comprise the year-over-year cash flow graphs.

Year	Age	Social Security	Defined Benefit Pension	Earned Income	Required Minimum Distributions	Additional Qualified Proceeds	Non-Qualified Proceeds	Other Inflows	Fixed Needs (incl. taxes)	Total Needs (incl. taxes)	Shortfall
2021	57/55*	\$0	\$0	\$267,945	\$1,250	\$0	\$0	\$0	\$251,574	\$251,574	-
2022	58/56	\$0	\$84,847	\$129,902	\$1,301	\$0	\$0	\$0	\$206,590	\$206,590	-
2023	59/57	\$0	\$84,847	\$133,799	\$1,355	\$0	\$0	\$0	\$210,848	\$210,848	-
2024	*60/58	\$0	\$84,847	\$127,212	\$1,411	\$0	\$51,869	\$800,000	\$1,065,338	\$1,065,338	-
2025	61/59	\$0	\$127,879	\$0	\$1,469	\$0	\$20,630	\$0	\$149,978	\$149,978	-
2026	62/60	\$0	\$127,879	\$0	\$1,530	\$9,938	\$15,948	\$0	\$155,295	\$155,295	-
2027	63/61	\$30,797	\$127,879	\$0	\$1,397	\$140	\$0	\$0	\$160,213	\$160,213	-
2028	64/62	\$31,720	\$127,879	\$0	\$1,452	\$3,350	\$0	\$0	\$164,402	\$164,402	-
2029	65/63	\$32,672	\$127,879	\$0	\$1,434	\$6,733	\$0	\$0	\$168,718	\$168,718	-
2030	66/64	\$33,652	\$127,879	\$0	\$1,327	\$10,307	\$0	\$0	\$173,165	\$173,165	-
2031	67/65	\$34,662	\$127,879	\$0	\$1,115	\$14,091	\$0	\$0	\$177,747	\$177,747	-
2032	68/66	\$35,702	\$127,879	\$0	\$777	\$18,112	\$0	\$0	\$182,469	\$182,469	-
2033	69/67	\$36,773	\$127,879	\$0	\$285	\$22,397	\$0	\$0	\$187,334	\$187,334	-
2034	70/68	\$37,876	\$127,879	\$0	\$0	\$26,592	\$0	\$0	\$192,347	\$192,347	-
2035	71/69	\$39,012	\$127,879	\$0	\$0	\$30,621	\$0	\$0	\$197,512	\$197,512	-
2036	72/70	\$46,227	\$127,879	\$0	\$22,154	\$6,273	\$0	\$0	\$202,532	\$202,532	-
2037	73/71	\$116,095	\$127,879	\$0	\$23,145	\$0	\$0	\$0	\$220,228	\$220,228	-
2038	74/72	\$119,578	\$127,879	\$0	\$61,984	\$0	\$0	\$0	\$234,866	\$234,866	-
2039	75/73	\$123,166	\$127,879	\$0	\$65,107	\$0	\$0	\$0	\$240,662	\$240,662	-

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Year	Age	Social Security	Defined Benefit Pension	Earned Income	Required Minimum Distributions	Additional Qualified Proceeds	Non-Qualified Proceeds	Other Inflows	Fixed Needs (incl. taxes)	Total Needs (incl. taxes)	Shortfall
2040	76/74	\$126,861	\$127,879	\$0	\$68,379	\$0	\$0	\$0	\$246,646	\$246,646	-
2041	77/75	\$130,666	\$127,879	\$0	\$71,673	\$0	\$0	\$0	\$252,791	\$252,791	-
2042	78/76	\$134,586	\$127,879	\$0	\$75,254	\$0	\$0	\$0	\$259,167	\$259,167	-
2043	79/77	\$138,624	\$127,879	\$0	\$78,616	\$0	\$0	\$0	\$265,653	\$265,653	-
2044	80/78	\$142,783	\$127,879	\$0	\$82,346	\$0	\$0	\$0	\$272,400	\$272,400	-
2045	81/79	\$147,066	\$127,879	\$0	\$85,959	\$0	\$0	\$0	\$279,292	\$279,292	-
2046	82/80	\$151,478	\$127,879	\$0	\$89,694	\$0	\$0	\$0	\$286,395	\$286,395	-
2047	83/81	\$156,022	\$127,879	\$0	\$93,547	\$0	\$0	\$0	\$293,712	\$293,712	-
2048	84/82	\$160,703	\$127,879	\$0	\$97,517	\$0	\$0	\$0	\$301,249	\$301,249	-
2049	85/83	\$165,524	\$127,879	\$0	\$101,333	\$0	\$0	\$0	\$308,943	\$308,943	-
2050	86/84	\$170,490	\$127,879	\$0	\$105,224	\$0	\$0	\$0	\$316,859	\$316,859	-
2051	87/85	\$175,605	\$127,879	\$0	\$108,726	\$0	\$0	\$0	\$324,885	\$324,885	-
2052	88/86	\$180,873	\$127,879	\$0	\$112,228	\$0	\$0	\$0	\$333,127	\$333,127	-
2053	89/87	\$186,299	\$127,879	\$0	\$115,711	\$0	\$0	\$0	\$341,584	\$341,584	-
2054	90/88	\$191,888	\$127,879	\$0	\$118,751	\$0	\$0	\$0	\$342,656	\$342,656	-
2055	91/89	\$197,645	\$127,879	\$0	\$121,689	\$0	\$0	\$0	\$342,825	\$342,825	-
2056	92/90	\$203,574	\$127,879	\$0	\$123,807	\$0	\$0	\$0	\$351,645	\$351,645	-
2057	93/91	\$209,681	\$127,879	\$0	\$125,701	\$0	\$0	\$0	\$360,657	\$360,657	-
2058	94/92	\$215,972	\$127,879	\$0	\$126,801	\$0	\$0	\$0	\$369,727	\$369,727	-
2059	95/93	\$222,451	\$127,879	\$0	\$127,573	\$0	\$0	\$0	\$378,979	\$378,979	-
2060	96/94	\$229,124	\$127,879	\$0	\$127,073	\$0	\$0	\$0	\$388,184	\$388,184	-
2061	97/95	\$235,998	\$127,879	\$0	\$126,128	\$0	\$0	\$0	\$397,558	\$397,558	-
2062	98/96	\$243,078	\$127,879	\$0	\$124,689	\$0	\$0	\$0	\$407,097	\$407,097	-
2063	99/97	\$250,370	\$127,879	\$0	\$122,044	\$0	\$0	\$0	\$416,632	\$416,632	-
2064	100/98	\$257,881	\$127,879	\$0	\$118,856	\$0	\$0	\$0	\$426,336	\$426,336	-

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Year	Age	Social Security	Defined Benefit Pension	Earned Income	Required Minimum Distributions	Additional Qualified Proceeds	Non-Qualified Proceeds	Other Inflows	Fixed Needs (incl. taxes)	Total Needs (incl. taxes)	Shortfall
2065	-/99	\$170,925	\$117,121	\$0	\$109,231	\$0	\$38,644	\$0	\$435,921	\$435,921	-
2066	-/100	\$176,053	\$117,121	\$0	\$104,571	\$0	\$48,378	\$0	\$446,123	\$446,123	-

\* = year of retirement

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# Retirement Asset Accumulation & Depletion

## Current Plan

This report displays a yearly summary of changes to the value of retirement assets for the selected scenario. Additionally, all other (non-retirement) assets are shown in the EOY Other Assets column in order to show the potential for additional ability to cover spending needs.

**Note:** The initial asset values in this report represent their projected value at the end of the year of the analysis.

Year	Age	SOY Assets	Growth & Reinvestments	Contributions <sup>1</sup>	Withdrawals <sup>2</sup>	Withdrawal Rate	EOY Assets	EOY Other Assets
2020	56/54	\$724,616	(\$27,588)	\$40,693	\$1,204	0.0%	\$736,517	\$751,631
2021	57/55*	\$736,517	\$39,103	\$41,134	\$1,250	0.0%	\$815,505	\$718,238
2022	58/56	\$815,505	\$41,911	\$15,588	\$1,301	0.0%	\$871,703	\$693,546
2023	59/57	\$871,703	\$44,914	\$16,056	\$1,355	0.0%	\$931,318	\$667,408
2024	*60/58	\$931,318	\$48,008	\$15,265	\$52,890	4.0%	\$941,702	\$858,334
2025	61/59	\$950,040	\$49,240	\$0	\$21,995	2.3%	\$977,286	\$862,380
2026	62/60	\$977,286	\$51,309	\$0	\$27,355	2.8%	\$1,001,240	\$875,383
2027	63/61	\$1,001,240	\$53,108	\$0	\$1,537	0.2%	\$1,052,811	\$888,980
2028	64/62	\$1,052,811	\$55,871	\$0	\$4,802	0.5%	\$1,103,879	\$903,151
2029	65/63	\$1,103,879	\$58,647	\$0	\$8,167	0.7%	\$1,154,359	\$917,876
2030	66/64	\$1,154,359	\$61,434	\$0	\$11,634	1.0%	\$1,204,159	\$933,139
2031	67/65	\$1,204,159	\$64,231	\$0	\$15,207	1.3%	\$1,253,184	\$948,927
2032	68/66	\$1,253,184	\$67,036	\$0	\$18,888	1.5%	\$1,301,332	\$965,229
2033	69/67	\$1,301,332	\$69,848	\$0	\$22,682	1.7%	\$1,348,497	\$982,034
2034	70/68	\$1,348,497	\$72,471	\$0	\$26,592	2.0%	\$1,394,376	\$999,336
2035	71/69	\$1,394,376	\$74,936	\$0	\$30,621	2.2%	\$1,438,691	\$1,017,128
2036	72/70	\$1,438,691	\$76,679	\$0	\$28,426	2.0%	\$1,486,944	\$1,035,405
2037	73/71	\$1,486,944	\$79,244	\$0	\$23,145	1.6%	\$1,543,042	\$1,054,165
2038	74/72	\$1,543,042	\$81,139	\$0	\$61,984	4.0%	\$1,562,197	\$1,073,406
2039	75/73	\$1,562,197	\$82,078	\$0	\$65,107	4.2%	\$1,579,167	\$1,093,126
2040	76/74	\$1,579,167	\$82,896	\$0	\$68,379	4.3%	\$1,593,684	\$1,113,326
2041	77/75	\$1,593,684	\$83,581	\$0	\$71,673	4.5%	\$1,605,592	\$1,134,007

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Year	Age	SOY Assets	Growth & Reinvestments	Contributions <sup>1</sup>	Withdrawals <sup>2</sup>	Withdrawal Rate	EOY Assets	EOY Other Assets
2042	78/76	\$1,605,592	\$84,118	\$0	\$75,254	4.7%	\$1,614,455	\$1,155,170
2043	79/77	\$1,614,455	\$84,497	\$0	\$78,616	4.9%	\$1,620,336	\$1,176,820
2044	80/78	\$1,620,336	\$84,706	\$0	\$82,346	5.1%	\$1,622,695	\$1,198,958
2045	81/79	\$1,622,695	\$84,728	\$0	\$85,959	5.3%	\$1,621,464	\$1,221,590
2046	82/80	\$1,621,464	\$84,554	\$0	\$89,694	5.5%	\$1,616,325	\$1,244,720
2047	83/81	\$1,616,325	\$84,167	\$0	\$93,547	5.8%	\$1,606,944	\$1,268,354
2048	84/82	\$1,606,944	\$83,548	\$0	\$97,517	6.1%	\$1,592,975	\$1,292,498
2049	85/83	\$1,592,975	\$82,688	\$0	\$101,333	6.4%	\$1,574,330	\$1,317,157
2050	86/84	\$1,574,330	\$81,573	\$0	\$105,224	6.7%	\$1,550,680	\$1,342,341
2051	87/85	\$1,550,680	\$80,201	\$0	\$108,726	7.0%	\$1,522,155	\$1,368,055
2052	88/86	\$1,522,155	\$78,568	\$0	\$112,228	7.4%	\$1,488,495	\$1,394,308
2053	89/87	\$1,488,495	\$76,658	\$0	\$115,711	7.8%	\$1,449,442	\$1,421,108
2054	90/88	\$1,449,442	\$74,472	\$0	\$118,751	8.2%	\$1,405,162	\$1,448,464
2055	91/89	\$1,405,162	\$72,007	\$0	\$121,689	8.7%	\$1,355,481	\$1,476,385
2056	92/90	\$1,355,481	\$69,276	\$0	\$123,807	9.1%	\$1,300,950	\$1,504,881
2057	93/91	\$1,300,950	\$66,291	\$0	\$125,701	9.7%	\$1,241,540	\$1,533,962
2058	94/92	\$1,241,540	\$63,067	\$0	\$126,801	10.2%	\$1,177,806	\$1,563,638
2059	95/93	\$1,177,806	\$59,619	\$0	\$127,573	10.8%	\$1,109,852	\$1,593,919
2060	96/94	\$1,109,852	\$55,982	\$0	\$127,073	11.4%	\$1,038,761	\$1,624,817
2061	97/95	\$1,038,761	\$52,188	\$0	\$126,128	12.1%	\$964,821	\$1,656,343
2062	98/96	\$964,821	\$48,256	\$0	\$124,689	12.9%	\$888,389	\$1,688,508
2063	99/97	\$888,389	\$44,225	\$0	\$122,044	13.7%	\$810,570	\$1,721,325
2064	100/98	\$810,570	\$40,135	\$364,848	\$118,856	0.0%	\$1,096,696	\$1,739,806
2065	-/99	\$1,096,696	\$36,181	\$0	\$147,875	13.5%	\$985,002	\$1,766,843
2066	-/100	\$985,002	\$32,390	\$103,465	\$152,950	5.0%	\$967,907	\$1,777,819

\* = year of retirement

<sup>1</sup>Includes all additional funds added to assets funding the retirement goal. <sup>2</sup>Includes all assets removed from the assets funding the retirement goal.

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# Probability of Success - Retirement

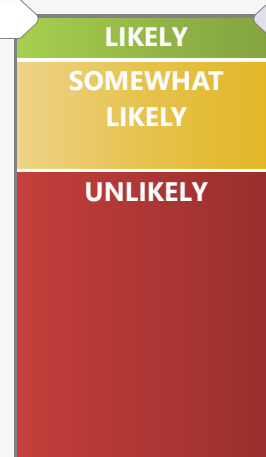
The following report displays the results of Monte Carlo simulations run for your retirement goal. The results are derived from **500** simulations and the specified retirement goal.

The chart to the right represents the overall likelihood of success for the retirement goal. The graph below projects the likelihood of achieving a given investment portfolio value over time for each selected scenario.

## PROBABILITY OF SUCCESS: RETIREMENT

Current - 100%

Proposed - 100%

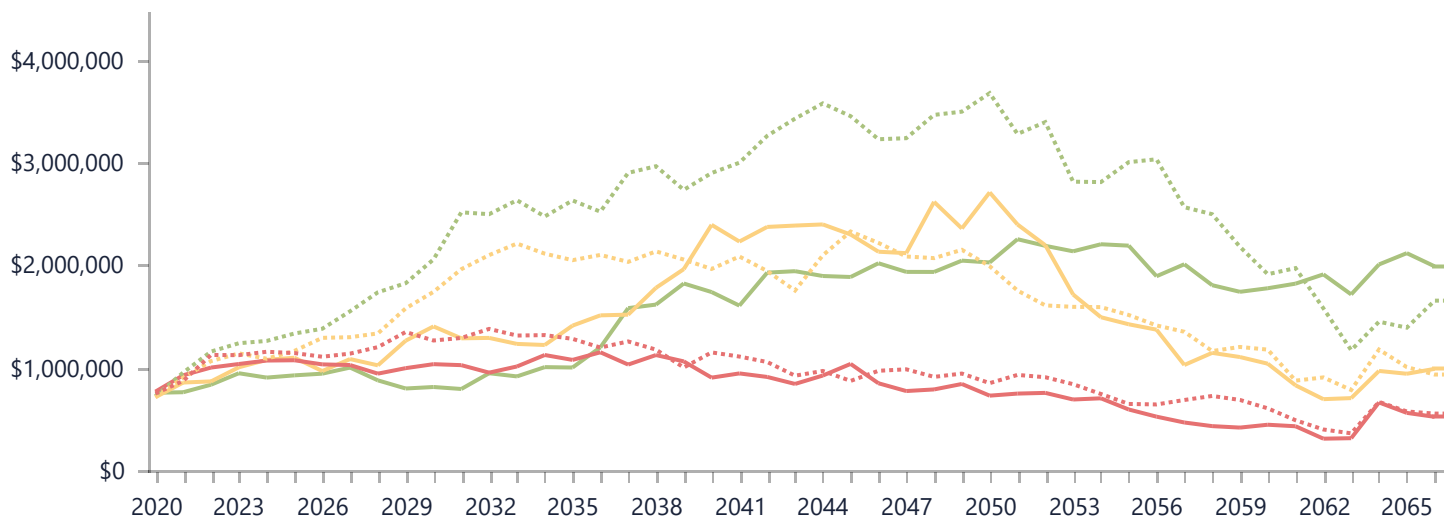


No Pre-Retirement Surplus - 58%

Increase 401k and Expenses - 63%

## Value of Investments funding Retirement

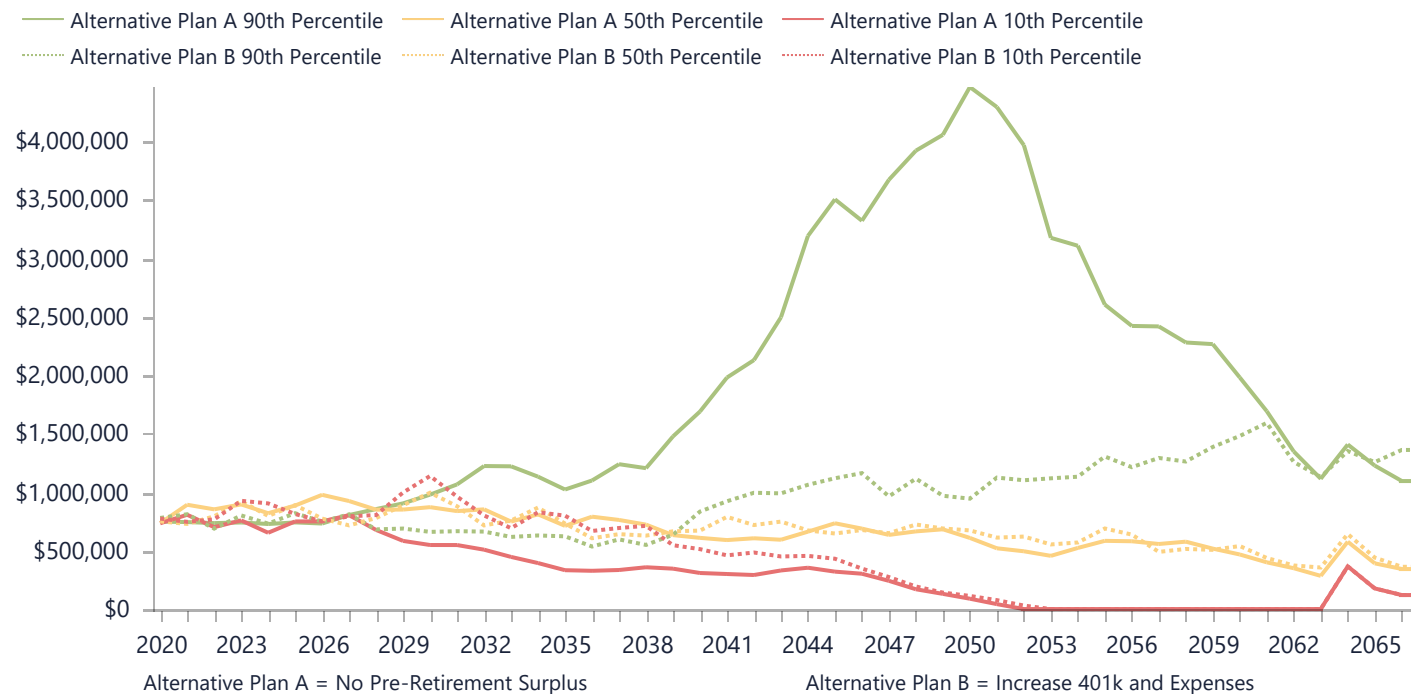
— Current Plan 90th Percentile — Current Plan 50th Percentile — Current Plan 10th Percentile  
 ..... Proposed Plan 90th Percentile ..... Proposed Plan 50th Percentile ..... Proposed Plan 10th Percentile



Plan	Success Rate	90th Percentile	50th Percentile	10th Percentile
Current Plan	100%	\$1,989,218	\$990,387	\$523,058
Proposed Plan	100%	\$1,654,898	\$935,031	\$554,693

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# Probability of Success - Retirement Continued



Plan	Success Rate	90th Percentile	50th Percentile	10th Percentile
No Pre-Retirement Surplus	58%	\$1,094,943	\$342,695	\$119,964
Increase 401k and Expenses	63%	\$1,360,096	\$361,279	\$120,021

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# Education Goal Coverage

## College Education (John Jr.) - Proposed Plan

Your ability to cover your education goal is determined by comparing your available resources to the total expected value of the goal.

The following report shows the details and the projected goal coverage amount for your Proposed Plan.

### EDUCATION GOAL COVERAGE

100%

STRONG

PARTIAL

INSUFFICIENT

Cost Details		Proposed Plan
Estimated Cost per Year (Today's \$)		\$10,000
Annual Cost Index Rate		0.00%
Start Year of Education		2021
Duration of Goal		1
Expense % Coverage		100%
Estimated Total Cost		\$10,000
Resources		
Assets Available Today		\$9,904
Return Rate on Assets		4.19%
Year of First Shortfall		2021
Current Monthly Savings		\$0
Additional Monthly Savings		\$0
Savings Start Date		11/1/2020
Savings Indexed At		0.00%
Additional Lump Sum Savings		\$0
Savings Date		11/1/2020
Capital at Start of Goal		\$9,994

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# Education Goal Coverage

## College Education (Jane Jr., Jane Jr.) - Proposed Plan

Your ability to cover your education goal is determined by comparing your available resources to the total expected value of the goal.

The following report shows the details and the projected goal coverage amount for your Proposed Plan.

### EDUCATION GOAL COVERAGE

100%

STRONG

PARTIAL

INSUFFICIENT

Cost Details		Proposed Plan
Estimated Cost per Year (Today's \$)		\$17,500
Annual Cost Index Rate		5.00%
Start Year of Education		2021
Duration of Goal		4
Expense % Coverage		100%
Estimated Total Cost		\$78,358
Resources		
Assets Available Today		\$82,149
Return Rate on Assets		4.13%
Year of First Shortfall		--
Current Monthly Savings		\$0
Additional Monthly Savings		\$0
Savings Start Date		11/1/2020
Savings Indexed At		0.00%
Additional Lump Sum Savings		\$0
Savings Date		11/1/2020
Capital at Start of Goal		\$82,288

















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# Asset Allocation for Qualified Retirement Accounts - Suggested

## Proposed Plan

This report compares your current asset mix to your suggested asset mix for qualified retirement assets.



Current			Suggested			
Asset Class	Market Value	%	Market Value	%	Change	
 Large Cap Growth Equity	\$84,048	12.78%	\$65,765	10.00%	-2.78%	
 Large Cap Value Equity	\$139,356	21.19%	\$78,918	12.00%	-9.19%	
 Mid Cap Equity	\$76,550	11.64%	\$59,188	9.00%	-2.64%	
 Small Cap Equity	\$29,857	4.54%	\$19,729	3.00%	-1.54%	
 US REITs	\$11,903	1.81%	\$13,153	2.00%	0.19%	
 International Equity	\$83,390	12.68%	\$78,918	12.00%	-0.68%	
 International Small Cap Equity	\$2,499	0.38%	\$13,153	2.00%	1.62%	
 Emerging Markets Equity	\$15,389	2.34%	\$39,459	6.00%	3.66%	
 Long Term Bonds	\$23,215	3.53%	\$0	0.00%	-3.53%	
 Intermediate Term Bonds	\$133,898	20.36%	\$105,224	16.00%	-4.36%	
 TIPS	\$0	0.00%	\$13,153	2.00%	2.00%	
 Short Term Bonds	\$13,876	2.11%	\$78,918	12.00%	9.89%	
 High Yield Bonds	\$526	0.08%	\$19,729	3.00%	2.92%	
 International Bonds	\$31,238	4.75%	\$19,729	3.00%	-1.75%	
 Commodities	\$0	0.00%	\$13,153	2.00%	2.00%	
 Diversified Alternatives	\$3,486	0.53%	\$39,459	6.00%	5.47%	
 Cash	\$8,418	1.28%	\$0	0.00%	-1.28%	

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Current			Suggested		
Asset Class	Market Value	%	Market Value	%	Change
<b>Total</b>	<b>\$657,650</b>		<b>\$657,650</b>		

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# Recommendations

For: John and Jane

## Asset Allocation

### Recommendations

Jane, invest your employer retirement plan moderately for growth.

- 15% ABC Fund
- 8% DEF Fund
- 2% GHI Fund
- 2% JKL Fund
- 10% MNO Fund
- 22% PQR Fund
- 21% STU Fund
- 20% VWX Fund

John, maintain your current allocation. Your target date retirement fund gives you a 60/40 stock to bond mix which matches your moderate risk tolerance.

## Retirement Goal

### Recommendations

Congratulations! It appears you can achieve your retirement goal. This assumes:

- Jane retires at 55
- John retires at 60
- John collects his pension as joint life income with 100% to survivor
- Jane collects her pension pop-up joint allowance-100%
- John collects Social Security (SSA) at 62
- Jane collects SSA at 70
- You sell your home for \$550,000 with a 6% transaction fee in 2024
- You take a 30 year mortgage for \$250,000 and pay 5% closing costs in 2024
- You purchase a \$750,000 retirement home in 2024
- You grow your assets moderately

Stop saving \$10,000 a year in your 529 plans. Based on the amount you have invested in the 529 plans and savings bonds, it appears you don't need to save anymore towards the education goals. Instead, increase John's 401(k) contribution by \$10,000 (8% of his salary).

John, transfer your Annuity IRA to a NEXT Select IRA invested moderately aggressive. This will reduce your expenses by roughly 35% (2.03% annuity cost vs 1.31% NEXT Select cost). We should wait till after 10/15/2020 when the annuity avoids surrender charges.

## College Education (John Jr.)

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## Recommendations

Based on the amount you have saved in the 529 plans and savings bonds, you are able to cover John Jr's last \$10,000 education expense on 1/1/2021 and Jane Jr's \$10,000 semi-annual expenses from now until 1/1/2024.

### College Education (Jane Jr., Jane Jr.)

## Recommendations

Based on the amount you have saved in the 529 plans and savings bonds, you are able to cover John Jr's last \$10,000 education expense on 1/1/2021 and Jane Jr's \$10,000 semi-annual expenses from now until 1/1/2024.

### Long-term Care - John

## Recommendations

Consider exchanging your Whole Life policy for a hybrid life and long-term care policy.

### Long-term Care - Jane

## Recommendations

Consider exchanging your two Whole Life policy's for a hybrid life and long-term care policy.

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# Important Terminology

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## **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.

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## **Proposed plan**

The proposed plan is a system-generated plan that is calculated based on achieving your stated goals by applying the additional assumptions contained within the proposed scenarios.

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## **Scenarios**

A scenario is a modification of assumptions based on the current plan. A proposed scenario is incorporated into the proposed plan.

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## **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.

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## **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.

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## **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.

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

The dollar-weighted average rate of return of the assets in the proposed plan based on the assumptions defined in the proposed scenarios. A goal-based rate of return (implemented asset mix) represents the dollar-weighted average rate of return of the assets linked to that particular goal, based on the assumptions defined in the proposed scenario.

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## **Rate of return (proposed plan)**

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

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## **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.

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## **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.

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## **Investment profile**

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

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**Portfolio**

The combination of all assets owned by the client(s) and entered in the plan.

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**Time horizon**

The length of time allocated 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.

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**Asset mix**

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

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**Current Asset Mix**

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

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**Suggested Asset Mix**

The asset mix that is derived based on the investment profile as determined by answers to a risk tolerance questionnaire and time until assets are needed to meet goals.

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**Implemented Asset Mix**

The asset mix that results when the suggested asset mix is subject to certain modifications.

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**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 combination of the suggested asset mix and the implemented asset mix associated with all of the goals included in the plan.

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**Blended mix**

For the entire portfolio, a blended mix of investment profiles indicates that the investment profile has been defined differently for each goal. For the retirement goal, a blended mix of investment profiles indicates that the investment profile has been defined differently for each type of account (qualified retirement accounts, non-qualified retirement accounts, or non-qualified annuity retirement accounts).

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**Average tax rate**

The assumed average tax rate that is applied against salary, self-employed income, Social Security, defined benefits, pensions, 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.

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**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.

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**Annuitize**

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.

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**Inflation rate/Index rate**

The rate at which 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.

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### **Effective marginal tax rate**

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

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### **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, royalty, alimony, and capital gains income.

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### **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.

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### **Uniform Transfer to Minors Act (UTMA) and Uniform Gift to Minors (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.

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### **Unlimited marital deduction (UMD)**

A provision in the Internal Revenue Code which allows assets owned by the decedent to be transferred to the surviving spouse without incurring estate taxes.

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### **Fixed expenses**

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

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### **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.

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### **Lifestyle expenses**

The definition of lifestyle expenses includes all expenses entered in the *Cash Flow* category where the type of expense is classified as lifestyle.

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### **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 will account, in part, for expenses that are more discretionary in nature.

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### **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 client and co-client (retirement, survivor, and disability benefits), income entered with the type *Salary*, and annuity income (excluding income from annuities with the income option of *Withdrawals as Needed*).

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### **Asset class**

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

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### **Cash - Citigroup US Domestic 3 Month T-Bill Index**

The objective of this benchmark is to reflect the returns provided by the short term fixed income instruments. The index is based on the U.S. 3 month Treasury Bills. This index measures monthly return equivalents of yield averages that are not marked to market. Calculations are based on the last 3, 3-month T-Bill issues. Returns for this index are then calculated on a monthly basis.

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### **Commodities - Bloomberg Commodity Index**

The Bloomberg Commodity Index is a broadly diversified index that allows investors to track commodity returns through futures contracts on physical commodities. Commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid the delivery process and maintain a long futures position, nearby contracts must be sold and contracts that have not yet reached the delivery period must be purchased. This process is known as "rolling" a futures position which is incorporated into the index.

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### **Diversified Alternatives - CISDM Fund of Funds Diversified Index**

The goal of this benchmark is to provide an estimate of returns generated by broad strategy hedge fund-of-funds. The CISDM Fund of Funds Diversified index reports the median return of hedge fund-of-funds that invest in multiple managers with a variety of fund strategies. Only funds that have reported net returns for the particular month are included in the index calculation.

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### **High Yield Bonds - Bloomberg Barclays US Corporate High Yield Index**

The U.S. Corporate High-Yield Index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded; to be eligible they must have previously held a high-yield rating or have been associated with a high-yield issuer, and must trade accordingly.

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### **High Yield Municipal Bonds - Bloomberg Barclays Municipal High Yield Index**

The Bloomberg Barclays Municipal High Yield index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. This index is a component of the Aggregate Municipal Bond index. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Average quality of the index is BA3/B1.

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### **Intermediate-Term Bonds - Bloomberg Barclays US Government/Credit Intermediate**

The objective of this benchmark is to measure the returns of intermediate-term bonds. The index is comprised of both government and credit fixed income securities. The government component includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The credit component includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Constituents of this benchmark must have a maturity of at least 1 year and up to but not including 10 years.

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### **Intermediate-Term Municipal Bonds - Barclays Municipal 7 Yr Index**

The Bloomberg Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Constituents of this benchmark must have a maturity of at least 6 years and up to but not including 8 years.

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### **International Bonds - Citigroup WGBI Non-US**

The World Government Bond Index is a market-capitalization weighted benchmark that tracks the performance of fixed-rate sovereign debt issued in the domestic market in the local currency with at least one year maturity. The objective of this benchmark is to reflect the returns provided by investment in international (non-U.S.) fixed income securities. The minimum credit quality required is BBB-/Baa3 (by either S&P or Moody's) for all issuers to ensure that the WGBI remains an investment-grade benchmark.

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### **International Emerging Markets Equity - MSCI Emerging Markets Index**

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 24 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. With 1,124 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

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### **International Equity - MSCI EAFE Index**

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

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### **International REITs - FTSE EPRA/NAREIT Developed ex US Index**

The FTSE EPRA/NAREIT Developed ex US Index is a subset of the FTSE EPRA/NAREIT Developed Index and is designed to represent general trends in eligible real estate equities worldwide by tracking the performance of listed real estate companies and REITs. Relevant real estate activities are defined as the ownership, disposure, and development of income-producing real estate. As of January 2019, the index had 208 constituents. The average market capitalization was approximately \$3.434 billion; the median market capitalization was approximately \$1.806 billion.

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### **International Small Cap Equities - MSCI EAFE Small Cap Index**

The MSCI EAFE Small Cap Index is an equity index which is designed to capture small cap equity market performance across developed markets, excluding the US & Canada. The index consists of the following 21 developed markets: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK. With 2,344 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.

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### **Large Cap Equity - Russell 1000 Index**

The Russell 1000 Index is a large-cap index consisting of the 1,000 largest companies in the Russell 3000 Index. As of January 2019, the average market capitalization was approximately \$193.266 billion; the median market capitalization was approximately \$9.901 billion.

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### **Large Cap Growth Equity - Russell 1000 Growth Index**

The Russell 1000 Growth Index contains those Russell 1000 securities with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

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### **Large Cap Value Equity - Russell 1000 Value Index**

The Russell 1000 Value Index contains those Russell 1000 securities with a less-than-average growth orientation. Securities in this index generally have lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

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### **Long-Term Bonds - Bloomberg Barclays US Government/Credit Long**

The objective of this benchmark is to measure the returns of long-term bonds. The index is comprised of both government and credit fixed income securities. The government component includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The credit component includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Constituents of this benchmark must have a maturity of 10 years or more.

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### **Long-Term Municipal Bonds - Bloomberg Barclays Municipal 20 Yr Index**

The Bloomberg Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Constituents of this benchmark must have a maturity of at least 17 years and up to but not including 22 years.

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### **Midcap Equity - Russell Midcap Index**

The Russell Mid Cap Index consists of the smallest 800 companies in the Russell 1000 index, as ranked by total market capitalization. As of January 2019, the average market capitalization was approximately \$14.989 billion; the median market capitalization was approximately \$7.710 billion. The largest company in the index had an approximate market capitalization of \$39.450 billion.

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### **Short-Term Bonds - Bloomberg Barclays US Government/Credit 1-3 Yr**

The objective of this benchmark is to measure the returns of short-term bonds. The index is comprised of both government and credit fixed income securities. The government component includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The credit component includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Constituents of this benchmark must have a maturity of at least 1 year and up to but not including 3 years.

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### **Short-Term Municipal Bonds - Barclays Municipal 1 Yr Index**

The Bloomberg Barclays Municipal Bond Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. The index has four main sectors: general obligation bonds, revenue bonds, insured bonds (including all insured bonds with a Aaa/AAA rating), and prerefunded bonds. Constituents of this benchmark must have a maturity of at least 1 year and up to but not including 2 years.

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### **Small Cap Equity - Russell 2000 Index**

The Russell 2000 Index is a small-cap index consisting of the smallest 2,000 companies in the Russell 3000 Index. As of January 2019, the average market capitalization was approximately \$2.288 billion; the median market capitalization was approximately \$0.783 billion. The largest company in the index had an approximate market capitalization of \$7.148 billion.

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### **TIPS - Bloomberg Barclays Global Inflation-Linked US TIPS Index**

This index measures the performance of the US Treasury Inflation Protected Securities ("TIPS") market. The index includes TIPS with one or more years remaining maturity with total outstanding issue size of \$250m or more.

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### **US REITs - FTSE NAREIT All Equity REITs Index**

The FTSE NAREIT All Equity REITs Index is an index of publicly traded REITs with 75% or greater of their gross invested book assets invested directly or indirectly in the equity ownership of real estate. As of January 2019, the index had 169 constituents. The average market capitalization was approximately \$6.198 billion; the median market capitalization was approximately \$2.710 billion.

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**Important acronyms**

ATRA – American Taxpayer Relief Act of 2012  
CLT – Charitable Lead Trust  
CRT – Charitable Remainder Trust  
CST – Credit Shelter Trust  
CSV – Cash surrender value  
EOY – End of year  
ESA – Education Savings Accounts  
FLP – Family Limited Partnership  
GRT – Grantor Retained Trust  
GSTT – Generation-skipping transfer tax  
HSA – Health Savings Account  
IDGT – Intentionally Defective Grantor Trust  
ILIT – Irrevocable Life Insurance Trust  
IRD – Income in respect of a decedent  
QDOT – Qualified Domestic Trust  
QPRT – Qualified Personal Residence Trust  
QTIP – Qualified Terminable Interest Property  
RMD – Required minimum distribution  
ROR – Rate of return  
Rolling GRAT – Rolling Grantor Retained Annuity Trust  
SOY – Start of year  
TCJA – Tax Cuts and Jobs Act  
TCLT – Testamentary Charitable Lead Trust  
UGMA – Uniform Gift to Minors Act  
UMD – Unlimited marital deduction  
UTMA – Uniform Transfer to Minors Act

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# Scenario Probability Assumptions

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The *Probability graph* illustrates the goal coverage percentage for each trial. When the application generates the probability analysis, it varies rates of return on available assets based on their average return rates and standard deviations. This variation is projected from the current plan date through the set life expectancy date. The application then determines the resources available. Next, the application determines if the available resources are adequate to cover the need and draws from available assets where appropriate. The application displays its findings by displaying a percentage that illustrates how much of the goal is covered. This percentage is equal to the *ability to cover total needs* divided by the total needs. Each of these values are adjusted for inflation.

In this assessment, the *% Total Needs Covered By Total Resources* option is shown. To find this value, the application 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 displays the assumptions used during the generation of the *Scenario Probability*. Results are located on the *Scenarios* pages and in the Variability section. **Note:** The following key assumptions may differ from the Monte Carlo assumptions found in the section titled *Monte Carlo Analysis*.

*Life Expectancy* is **not** randomized. All projections for John and Jane will end at the defined age.

*Full Deficit Coverage* is not active for the scenario. 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 equal to the number of trials the application generated using random return rates. A total of **500** trials has been generated.

*Rate of Return Randomization* indicates that a random number was generated to determine a rate of return based on the standard deviation for each asset class assigned to your accounts. This process is then repeated with a different random number for each projection. The application assumes 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 analysis.

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

**Important:** All information generated by the *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.

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# Disclaimer

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**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.

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## **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 suggested 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\**

Where applicable, 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.

Important: The calculations or other information generated by NaviPlan® version 20.3 regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. These calculations are shown for illustrative purposes only because they utilize return data that may not include fees or operating expenses, and are not available for investment. If included, fees and other operating expenses would materially reduce these calculations. NaviPlan® provides general analysis and planning with non-specific recommendation language that does not qualify as investment advice. Specific investment recommendations found on this deliverable are solely created by the advisor and may materially change the advisor-client fiduciary relationship, and thus should be reviewed between the interested parties.

In general and where applicable, 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.

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

\* Investment categories may not apply to Forecaster Assessments.

#### *NaviPlan Calculates Investment Returns Far Into the Future Using Morningstar Data\**

For all asset class forecasts, Morningstar 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.

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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.

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

\* Investment categories may not apply to Forecaster Assessments.

#### *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.

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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.

## **Review of Advisor-Client Fiduciary Relationship or Information about Fiduciary Standards**

### *NaviPlan's role in Financial Planning*

NaviPlan provides general analysis and planning with non-specific recommendation language that does not qualify as investment advice and therefore does not create a fiduciary relationship. Specific investment recommendations found on this deliverable are solely created by the advisor and may materially change the advisor-client fiduciary relationship, and thus should be reviewed between the interested parties.

Important: The calculations or other information generated by NaviPlan® version 20.3 regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. These calculations are shown for illustrative purposes only because they utilize return data that may not include fees or operating expenses, and are not available for investment. If included, fees and other operating expenses would materially reduce these calculations. NaviPlan® provides general analysis and planning with non-specific recommendation language that does not qualify as investment advice. Specific investment recommendations found on this deliverable are solely created by the advisor and may materially change the advisor-client fiduciary relationship, and thus should be reviewed between the interested parties.