



# Goal Specific Financial Plan

Emily and Robert Sample  
Washington, District of Columbia

PREPARED BY:  
**ICMA-RC**  
APRIL 29, 2014

# SAMPLE



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Important: The calculations or other information generated by NaviPlan® version 14.1 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. See the Disclaimers section for more information.



## Net Worth

# Net Worth Statement

This net worth statement provides a detailed breakdown of your financial situation as of April 29, 2014.

## Net Worth Statement

As of April 29, 2014

	Emily	Robert	Joint	Total
<b>Non-Qualified Assets</b>				
Brokerage			150,887	150,887
Savings			52,218	52,218
<b>Total Non-Qualified Assets</b>			<b>203,104</b>	<b>203,104</b>
<b>Qualified Assets</b>				
Qualified Account	125,602			125,602
ICMA RC 457		78,188		78,188
<b>Total Qualified Assets</b>	<b>125,602</b>	<b>78,188</b>		<b>203,790</b>
<b>Lifestyle Assets</b>				
Residence			408,789	408,789
Vacation home			221,920	221,920
Personal Use Property (i.e. car, boat)			27,740	27,740
Other Personal Assets (i.e. collectibles)			44,384	44,384
<b>Total Lifestyle Assets</b>			<b>702,833</b>	<b>702,833</b>
<b>Total Assets</b>	<b>125,602</b>	<b>78,188</b>	<b>905,938</b>	<b>1,109,728</b>
<b>Liabilities</b>				
Mortgage			(156,416)	(156,416)
<b>Total Liabilities</b>			<b>(156,416)</b>	<b>(156,416)</b>
<b>Total Net Worth</b>	<b>125,602</b>	<b>78,188</b>	<b>749,522</b>	<b>953,312</b>

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## Cash Flow

# Cash Flow Outlook – Current

The following report shows your sources of income and expenses over the next 5 years.

	2014	2015	2016	2017	2018
<b>Cash Inflows</b>					
<b>Earned Income</b>					
Annual Income (Emily)	45,901	47,507	49,170	50,891	52,672
Annual Income (Robert)	45,901	47,507	49,170	50,891	52,672
<b>Subtotal</b>	<b>91,802</b>	<b>95,015</b>	<b>98,340</b>	<b>101,782</b>	<b>105,345</b>
<b>Investment Income</b>					
Brokerage (Joint/Non-Qualified)	11,855	12,795	13,809	14,903	16,085
Savings (Joint/Non-Qualified)	656	661	667	672	678
<b>Subtotal</b>	<b>12,511</b>	<b>13,456</b>	<b>14,476</b>	<b>15,576</b>	<b>16,763</b>
<b>Total Cash Inflows</b>	<b>104,313</b>	<b>108,471</b>	<b>112,816</b>	<b>117,358</b>	<b>122,107</b>
<b>Cash Outflows</b>					
<b>Lifestyle Expenses</b>					
Expenses (Joint)	34,426	35,631	36,878	38,168	39,504
Mortgage (Joint)	16,800	16,800	16,800	16,800	16,800
<b>Subtotal</b>	<b>51,226</b>	<b>52,431</b>	<b>53,678</b>	<b>54,968</b>	<b>56,304</b>
<b>Non-Qualified Reinvestments</b>					
Brokerage (Joint/Non-Qualified)	8,187	8,836	9,536	10,292	11,108
Savings (Joint/Non-Qualified)	435	438	442	446	450
<b>Subtotal</b>	<b>8,622</b>	<b>9,274</b>	<b>9,978</b>	<b>10,738</b>	<b>11,558</b>
<b>Qualified Savings</b>					
Qualified Account (Emily/401(k))	1,800	1,800	1,800	1,800	1,800
<b>Subtotal</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>
<b>Miscellaneous Expenses</b>					
Life insurance policy (Emily)	240	240	240	240	240
Life insurance policy (Robert)	240	240	240	240	240
Residence (Joint)	2,000	2,070	2,142	2,217	2,295
<b>Subtotal</b>	<b>2,480</b>	<b>2,550</b>	<b>2,622</b>	<b>2,697</b>	<b>2,775</b>
<b>Taxes</b>					
Federal Income Tax	13,819	14,555	15,328	16,139	16,991
State Income Tax	6,596	6,944	7,309	7,691	8,093
Social Security Tax - employment	5,692	5,891	6,097	6,311	6,531
Medicare Taxes	1,331	1,378	1,426	1,476	1,527
<b>Subtotal</b>	<b>27,437</b>	<b>28,768</b>	<b>30,160</b>	<b>31,617</b>	<b>33,143</b>
<b>Total Cash Outflows</b>	<b>91,565</b>	<b>94,823</b>	<b>98,239</b>	<b>101,821</b>	<b>105,580</b>
<b>Surplus/(Deficit)</b>	<b>12,748</b>	<b>13,648</b>	<b>14,577</b>	<b>15,537</b>	<b>16,528</b>

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# Cash Flow Summary Report – Current

The following report represents the major components of your cash flow from the current year until the end of your life expectancy in your current plan.

Year	Age(s)	Inflows	Outflows	Surplus/(Deficit)
2014	39/39	104,313	91,565	12,748
2015	40/40	108,471	94,823	13,648
2016	41/41	112,816	98,239	14,577
2017	42/42	117,358	101,821	15,537
2018	43/43	122,107	105,580	16,528
2019	44/44	127,075	109,525	17,550
2020	45/45	132,273	114,951	17,322
2021	46/46	137,714	119,346	18,367
2022	47/47	143,410	123,965	19,445
2023	48/48	149,377	130,242	19,135
2024	49/49	155,629	135,395	20,234
2025	50/50	162,182	139,527	22,656
2026	51/51	169,054	144,955	24,099
2027	52/52	176,262	144,151	32,111
2028	53/53	183,827	139,889	43,938
2029	54/54	191,768	146,230	45,538
2030	55/55	200,108	152,914	47,194
2031	56/56	208,870	159,962	48,908
2032	57/57	218,080	167,398	50,682
2033	58/58	227,764	175,246	52,517
2034	59/59	237,951	183,533	54,418
2035	<b>*60/60*</b>	179,506	179,506	0
2036	61/61	180,700	180,700	0
2037	62/62	192,250	192,250	0
2038	63/63	199,802	199,802	0
2039	64/64	205,963	205,963	0
2040	65/65	209,977	209,977	0
2041	66/66	216,330	216,330	0
2042	67/67	222,933	222,933	0
2043	68/68	229,695	229,695	0
2044	69/69	236,616	236,616	0
2045	70/70	290,260	288,677	1,583
2046	71/71	306,250	301,780	4,469
2047	72/72	323,416	315,154	8,262
2048	73/73	341,854	329,256	12,597
2049	74/74	361,668	344,135	17,533
2050	75/75	382,972	359,841	23,131
2051	76/76	405,887	376,428	29,458
2052	77/77	429,591	393,762	35,829
2053	78/78	456,053	412,277	43,776
2058	83/83	613,196	520,576	92,620
2063	88/88	819,884	661,161	158,723
2068	93/--	2,371,634	2,210,369	161,265

\* = Year of retirement

# Cash Flow Outlook – Reduced Risk & Increase Expenses

The following report shows your sources of income and expenses over the next 5 years.

	2014	2015	2016	2017	2018
<b>Cash Inflows</b>					
<b>Earned Income</b>					
Annual Income (Emily)	45,901	47,507	49,170	50,891	52,672
Annual Income (Robert)	45,901	47,507	49,170	50,891	52,672
<b>Subtotal</b>	<b>91,802</b>	<b>95,015</b>	<b>98,340</b>	<b>101,782</b>	<b>105,345</b>
<b>Non-Qualified Liquidations</b>					
Brokerage (Joint/Non-Qualified)	104,038	0	0	0	0
Savings (Joint/Non-Qualified)	40,484	0	0	0	0
<b>Subtotal</b>	<b>144,522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Investment Income</b>					
Brokerage (Joint/Non-Qualified)	6,584	6,703	6,983	7,275	7,580
Savings (Joint/Non-Qualified)	1,896	2,588	2,696	2,809	2,926
<b>Subtotal</b>	<b>8,480</b>	<b>9,290</b>	<b>9,679</b>	<b>10,084</b>	<b>10,506</b>
<b>Total Cash Inflows</b>	<b>244,804</b>	<b>104,305</b>	<b>108,019</b>	<b>111,866</b>	<b>115,851</b>
<b>Cash Outflows</b>					
<b>Lifestyle Expenses</b>					
Expenses (Joint)	34,426	35,631	36,878	38,168	39,504
Mortgage (Joint)	16,800	16,800	16,800	16,800	16,800
<b>Subtotal</b>	<b>51,226</b>	<b>52,431</b>	<b>53,678</b>	<b>54,968</b>	<b>56,304</b>
<b>Non-Qualified Reinvestments</b>					
Savings (Joint/Non-Qualified)	1,282	1,778	1,852	1,930	2,010
Brokerage (Joint/Non-Qualified)	0	4,605	4,797	4,998	5,207
<b>Subtotal</b>	<b>1,282</b>	<b>6,383</b>	<b>6,650</b>	<b>6,928</b>	<b>7,218</b>
<b>Non-Qualified Savings</b>					
Brokerage (Joint/Non-Qualified)	92,880	0	0	0	0
Savings (Joint/Non-Qualified)	40,484	0	0	0	0
<b>Subtotal</b>	<b>133,364</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Qualified Savings</b>					
Qualified Account (Emily/401(k))	1,800	1,800	1,800	1,800	1,800
<b>Subtotal</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>
<b>Miscellaneous Expenses</b>					
Life insurance policy (Emily)	240	240	240	240	240
Life insurance policy (Robert)	240	240	240	240	240
Residence (Joint)	2,000	2,070	2,142	2,217	2,295
<b>Subtotal</b>	<b>2,480</b>	<b>2,550</b>	<b>2,622</b>	<b>2,697</b>	<b>2,775</b>
<b>Taxes</b>					
Federal Income Tax	22,796	13,714	14,359	15,028	15,724
State Income Tax	12,541	6,582	6,892	7,214	7,548
Social Security Tax - employment	5,692	5,891	6,097	6,311	6,531
Medicare Taxes	1,331	1,378	1,426	1,476	1,527
<b>Subtotal</b>	<b>42,360</b>	<b>27,564</b>	<b>28,773</b>	<b>30,028</b>	<b>31,332</b>

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	2014	2015	2016	2017	2018
<b>Total Cash Outflows</b>	<b>232,511</b>	<b>90,728</b>	<b>93,523</b>	<b>96,422</b>	<b>99,429</b>
<b>Surplus/(Deficit)</b>	<b>12,293</b>	<b>13,578</b>	<b>14,496</b>	<b>15,444</b>	<b>16,422</b>

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# Cash Flow Summary Report – Reduced Risk & Increase Expenses

The following report represents the major components of your cash flow from the current year until the end of your life expectancy in your proposed plan.

Year	Age(s)	Inflows	Outflows	Surplus/(Deficit)
2014	39/39	244,804	232,511	12,293
2015	40/40	104,305	90,728	13,578
2016	41/41	108,019	93,523	14,496
2017	42/42	111,866	96,422	15,444
2018	43/43	115,851	99,429	16,422
2019	44/44	119,977	102,547	17,430
2020	45/45	124,251	107,065	17,187
2021	46/46	128,678	110,464	18,214
2022	47/47	133,263	113,989	19,274
2023	48/48	138,012	118,098	19,914
2024	49/49	142,931	121,670	21,261
2025	50/50	148,025	125,370	22,656
2026	51/51	153,302	129,203	24,099
2027	52/52	158,768	126,657	32,111
2028	53/53	164,428	120,490	43,938
2029	54/54	170,292	124,754	45,538
2030	55/55	176,365	129,171	47,194
2031	56/56	182,655	133,748	48,908
2032	57/57	189,171	138,489	50,682
2033	58/58	195,919	143,402	52,517
2034	59/59	202,909	148,492	54,418
2035	<b>*60/60*</b>	108,802	108,802	0
2036	61/61	111,851	111,851	0
2037	62/62	123,906	123,906	0
2038	63/63	134,345	134,345	0
2039	64/64	137,294	137,294	0
2040	65/65	140,251	140,251	0
2041	66/66	143,310	143,310	0
2042	67/67	146,380	146,380	0
2043	68/68	149,552	149,552	0
2044	69/69	154,263	154,263	0
2045	70/70	212,662	185,836	26,826
2046	71/71	219,617	192,271	27,345
2047	72/72	226,834	198,940	27,895
2048	73/73	234,327	205,850	28,477
2049	74/74	242,103	213,010	29,093
2050	75/75	250,176	220,430	29,746
2051	76/76	258,557	228,119	30,437
2052	77/77	266,868	236,202	30,666
2053	78/78	275,879	244,786	31,093
2058	83/83	323,242	290,842	32,399
2063	88/88	374,198	343,864	30,334
2068	93/--	808,315	808,315	0

\* = Year of retirement

# Cash Inflows Report – Reduced Risk & Increase Expenses

The following report represents the major components of your cash inflows from the current year until the end of your life expectancy in your proposed plan.

Year	Age(s)	Earned Income	Pension Income	Annuity Payments	Qualified Proceeds	Non-Qualified Proceeds	Other Inflows	Total Inflows
2014	39/39	91,802	0	0	0	153,002	0	244,804
2015	40/40	95,015	0	0	0	9,290	0	104,305
2016	41/41	98,340	0	0	0	9,679	0	108,019
2017	42/42	101,782	0	0	0	10,084	0	111,866
2018	43/43	105,345	0	0	0	10,506	0	115,851
2019	44/44	109,032	0	0	0	10,946	0	119,977
2020	45/45	112,848	0	0	0	11,404	0	124,251
2021	46/46	116,798	0	0	0	11,881	0	128,678
2022	47/47	120,885	0	0	0	12,378	0	133,263
2023	48/48	125,116	0	0	0	12,896	0	138,012
2024	49/49	129,496	0	0	0	13,435	0	142,931
2025	50/50	134,028	0	0	0	13,998	0	148,025
2026	51/51	138,719	0	0	0	14,583	0	153,302
2027	52/52	143,574	0	0	0	15,194	0	158,768
2028	53/53	148,599	0	0	0	15,829	0	164,428
2029	54/54	153,800	0	0	0	16,492	0	170,292
2030	55/55	159,183	0	0	0	17,182	0	176,365
2031	56/56	164,755	0	0	0	17,901	0	182,655
2032	57/57	170,521	0	0	0	18,650	0	189,171
2033	58/58	176,489	0	0	0	19,430	0	195,919
2034	59/59	182,666	0	0	0	20,243	0	202,909
2035	<b>*60/60*</b>	0	57,904	0	0	50,899	0	108,802
2036	61/61	0	59,062	0	0	52,789	0	111,851
2037	62/62	0	102,300	0	0	21,605	0	123,906
2038	63/63	0	115,901	0	0	18,444	0	134,345
2039	64/64	0	118,491	0	0	18,803	0	137,294
2040	65/65	0	121,140	0	0	19,111	0	140,251
2041	66/66	0	123,849	0	0	19,461	0	143,310
2042	67/67	0	126,619	0	0	19,761	0	146,380
2043	68/68	0	129,452	0	0	20,100	0	149,552
2044	69/69	0	132,349	0	0	21,914	0	154,263
2045	70/70	0	135,312	0	57,085	20,265	0	212,662
2046	71/71	0	138,342	0	60,162	21,113	0	219,617
2047	72/72	0	141,440	0	63,398	21,996	0	226,834
2048	73/73	0	144,609	0	66,801	22,917	0	234,327
2049	74/74	0	147,850	0	70,378	23,876	0	242,103
2050	75/75	0	151,164	0	74,138	24,875	0	250,176
2051	76/76	0	154,554	0	78,088	25,916	0	258,557
2052	77/77	0	158,020	0	81,848	27,000	0	266,868
2053	78/78	0	161,565	0	86,184	28,130	0	275,879
2058	83/83	0	180,536	0	108,177	34,529	0	323,242
2063	88/88	0	201,765	0	130,050	42,383	0	374,198
2068	93/--	0	168,414	0	144,780	495,121	0	808,315

\* = Year of retirement

# Cash Outflows Report – Reduced Risk & Increase Expenses

The following report represents the major components of your cash outflows from the current year until the end of your life expectancy in your proposed plan.

Year	Age(s)	Lifestyle & Medical Expenses	Qualified Savings	Non-Qualified Contributions	Other Outflows	Taxes	Surplus Outflows	Total Outflows
2014	39/39	51,226	1,800	134,646	2,480	42,360	0	232,511
2015	40/40	52,431	1,800	6,383	2,550	27,564	0	90,728
2016	41/41	53,678	1,800	6,650	2,622	28,773	0	93,523
2017	42/42	54,968	1,800	6,928	2,697	30,028	0	96,422
2018	43/43	56,304	1,800	7,218	2,775	31,332	0	99,429
2019	44/44	57,687	1,800	7,520	2,855	32,685	0	102,547
2020	45/45	59,118	1,800	7,834	2,939	35,374	0	107,065
2021	46/46	60,599	1,800	8,162	3,025	36,878	0	110,464
2022	47/47	62,132	1,800	8,504	3,114	38,440	0	113,989
2023	48/48	63,719	1,800	8,860	3,206	40,514	0	118,098
2024	49/49	65,361	1,800	9,230	3,301	41,977	0	121,670
2025	50/50	67,060	1,800	9,617	3,400	43,493	0	125,370
2026	51/51	68,820	1,800	10,019	3,502	45,063	0	129,203
2027	52/52	64,121	1,800	10,438	3,608	46,689	0	126,657
2028	53/53	55,725	1,800	10,875	3,717	48,373	0	120,490
2029	54/54	57,675	1,800	11,330	3,831	50,118	0	124,754
2030	55/55	59,694	1,800	11,804	3,948	51,925	0	129,171
2031	56/56	61,783	1,800	12,298	4,069	53,797	0	133,748
2032	57/57	63,945	1,800	12,813	4,195	55,736	0	138,489
2033	58/58	66,183	1,800	13,349	4,325	57,745	0	143,402
2034	59/59	68,500	1,800	13,907	4,460	59,825	0	148,492
2035	<b>*60/60*</b>	92,167	0	0	4,599	12,037	0	108,802
2036	61/61	95,392	0	0	4,743	11,716	0	111,851
2037	62/62	98,731	0	0	4,892	20,282	0	123,906
2038	63/63	102,187	0	4,072	5,047	23,039	0	134,345
2039	64/64	105,763	0	2,958	5,206	23,366	0	137,294
2040	65/65	109,465	0	3,788	4,972	22,025	0	140,251
2041	66/66	113,296	0	2,661	5,063	22,290	0	143,310
2042	67/67	117,262	0	1,342	5,240	22,535	0	146,380
2043	68/68	121,366	0	0	5,424	22,763	0	149,552
2044	69/69	125,614	0	0	5,614	23,036	0	154,263
2045	70/70	130,010	0	13,922	5,810	36,094	0	185,836
2046	71/71	134,560	0	14,505	6,013	37,193	0	192,271
2047	72/72	139,270	0	15,112	6,224	38,334	0	198,940
2048	73/73	144,144	0	15,744	6,442	39,519	0	205,850
2049	74/74	149,189	0	16,403	6,667	40,750	0	213,010
2050	75/75	154,411	0	17,089	6,901	42,029	0	220,430
2051	76/76	159,816	0	17,804	7,142	43,357	0	228,119
2052	77/77	165,409	0	18,549	7,392	44,851	0	236,202
2053	78/78	171,198	0	19,326	7,651	46,612	0	244,786
2058	83/83	203,330	0	23,722	9,087	54,704	0	290,842
2063	88/88	241,492	0	29,118	10,792	62,462	0	343,864
2068	93/--	286,817	0	0	28,453	493,045	0	808,315

\* = Year of retirement



## Asset Allocation

# Asset Allocation Overview

## What Is Asset Allocation?

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

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

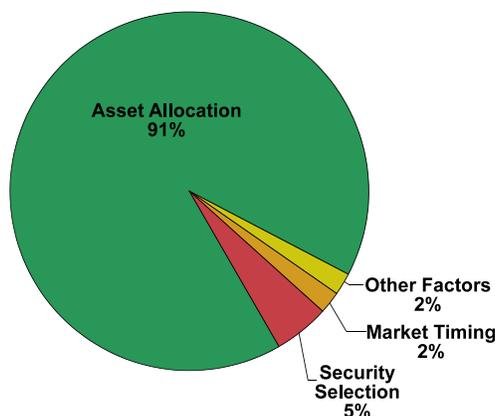
- Cash or short-term investments (savings accounts, money market accounts, etc.)
- Fixed Income investments (CDs, bonds, etc.)
- Equities (domestic and foreign stock, etc.)

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

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

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

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



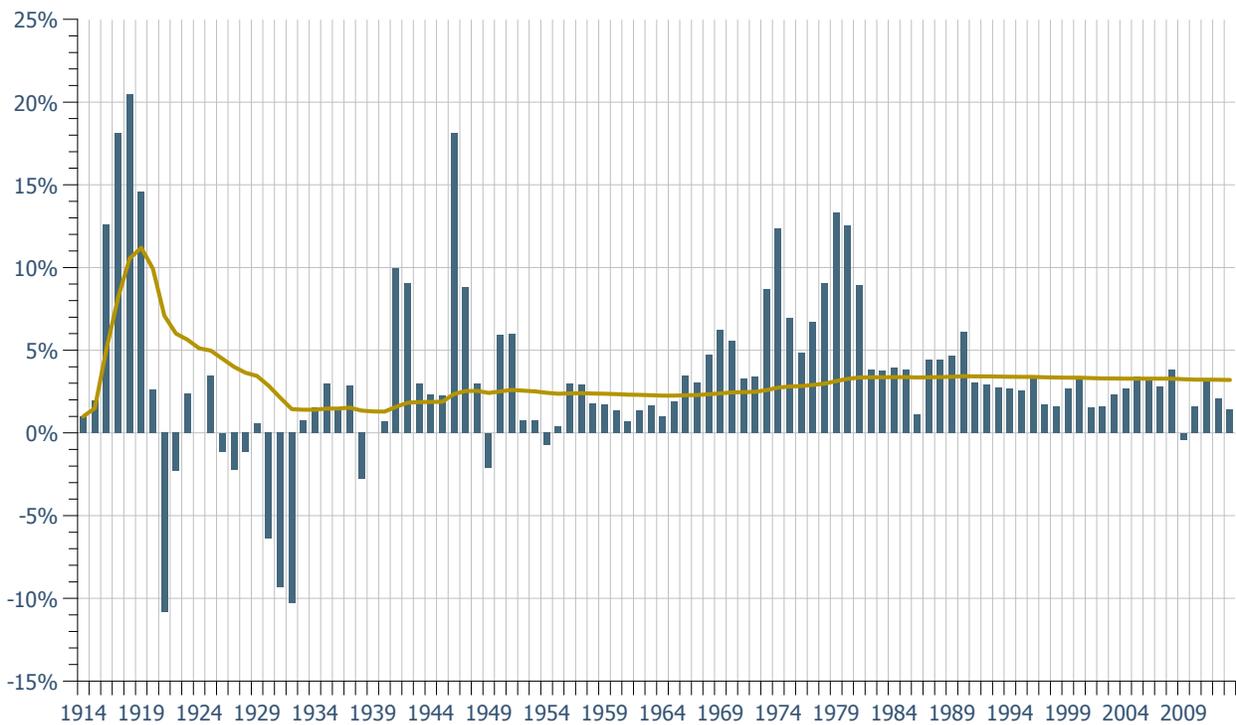
Source: Brinson, Singer and Beebower, "Determinants of Portfolio Performance," Financial Analyst Journal, May-June 1991.

## Higher Risk and Higher Potential Return?

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

## Why Should You Consider Inflation?

When planning for an accumulation goal (retirement, education, or a major purchase), consider the effect of inflation on the eventual cost of the item. If inflation is not considered, savings may fall short of your goal. For example, an item that costs \$1,000 today will cost \$1,344 in 10 years, assuming a 3% inflation rate. The graph below shows actual inflation rates for the past 100 years, and the average annual rate of inflation from 1914 to 2013 is 3.20%.

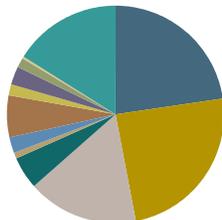


Inflation history data obtained from the U.S. Department of Labor. Inflation rates are based on the Consumer Price Index.

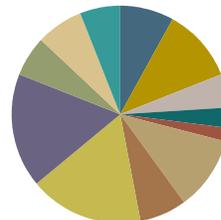
# Asset Allocation for Entire Portfolio

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

**Current Asset Mix**



**Suggested Asset Mix\*  
Blended Mix**



Rate of Return	7.84%
Standard Deviation	13.92%

Rate of Return	5.69%
Standard Deviation	8.49%

\*Modifications have been made to the suggested asset mix.

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

Asset Class	Current Asset Mix		Change		Suggested Asset Mix	
	(%)	(\$)	(%)	(\$)	(%)	(\$)
Large Cap Growth Equity	22.67	92,233	-14.67	-59,681	8.00	32,552
Large Cap Value Equity	24.32	98,947	-13.32	-54,189	11.00	44,758
Mid Cap Equity	16.53	67,277	-11.53	-46,932	5.00	20,345
Small Cap Equity	4.82	19,622	-1.82	-7,415	3.00	12,207
US REITs			+2.00	+8,138	2.00	8,138
International Equity	0.87	3,539	+10.13	+41,219	11.00	44,758
Emerging Markets Equity	2.35	9,570	-2.35	-9,570		
Long Term Bonds	6.23	25,340	+0.77	+3,143	7.00	28,483
Intermediate Term Bonds	1.68	6,841	+15.32	+62,329	17.00	69,170
Short Term Bonds	2.69	10,946	+14.31	+58,226	17.00	69,172
High Yield Bonds	1.44	5,864	+4.56	+18,550	6.00	24,414
International Bonds	0.30	1,214	+6.70	+27,269	7.00	28,483
Cash	16.10	65,501	-10.10	-41,087	6.00	24,414
<b>Total</b>	<b>100.00</b>	<b>406,894</b>	<b>+0.00</b>	<b>+0</b>	<b>100.00</b>	<b>406,894</b>

**Note:** The reallocation table above does not reflect the tax effects that may occur when reallocating your assets; these tax effects are accounted for at the end of the year.

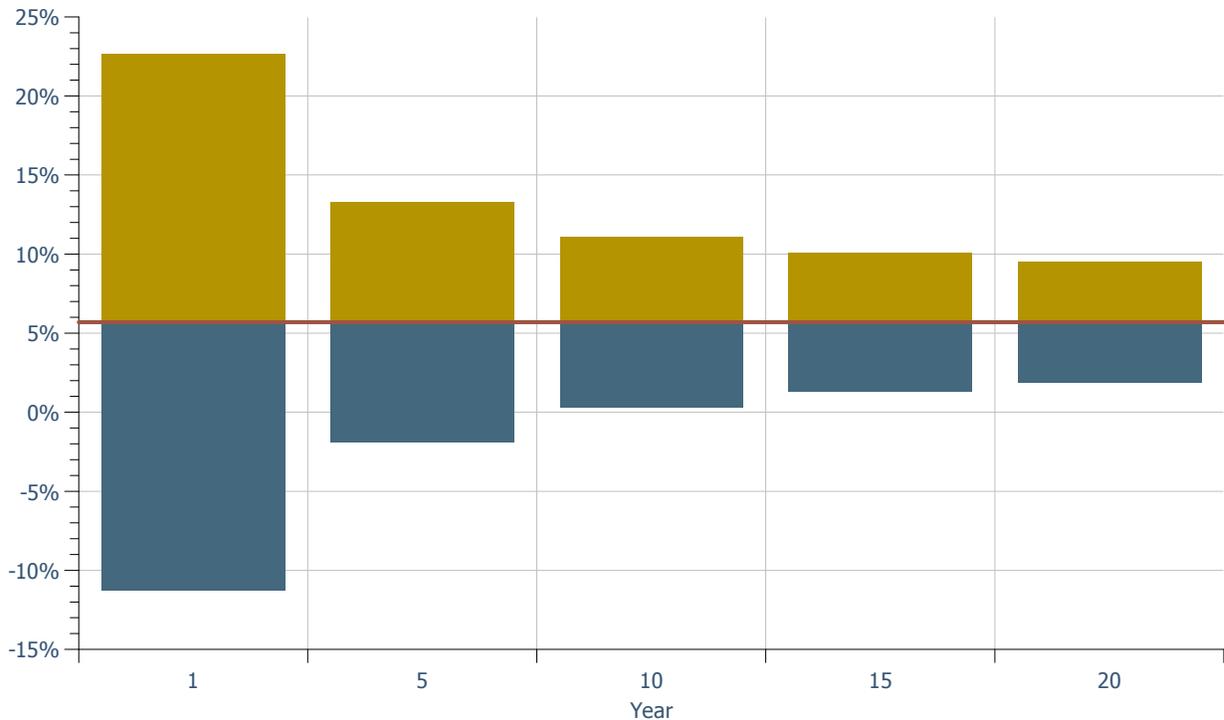
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## Consider the Following

- Discuss the potential tax consequences of re-allocating your current investment portfolio with your tax advisor.
- Review your portfolio at least once a year or as your financial circumstances change.
- Make sure your portfolio is properly diversified to help reduce portfolio volatility.
- Determine if your investments within each asset class have been achieving acceptable performance relative to appropriate benchmarks.
- Income identified as tax-free may still be subject to the Alternative Minimum Tax (AMT).

# Range of Returns

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



Upper Bound
  Average Return
  Lower Bound

	1 Year	5 Years	10 Years	15 Years	20 Years
5th Percentile*	22.66%	13.28%	11.06%	10.07%	9.48%
Average Return	5.69%	5.69%	5.69%	5.69%	5.69%
95th Percentile**	-11.28%	-1.90%	0.32%	1.31%	1.89%

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

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

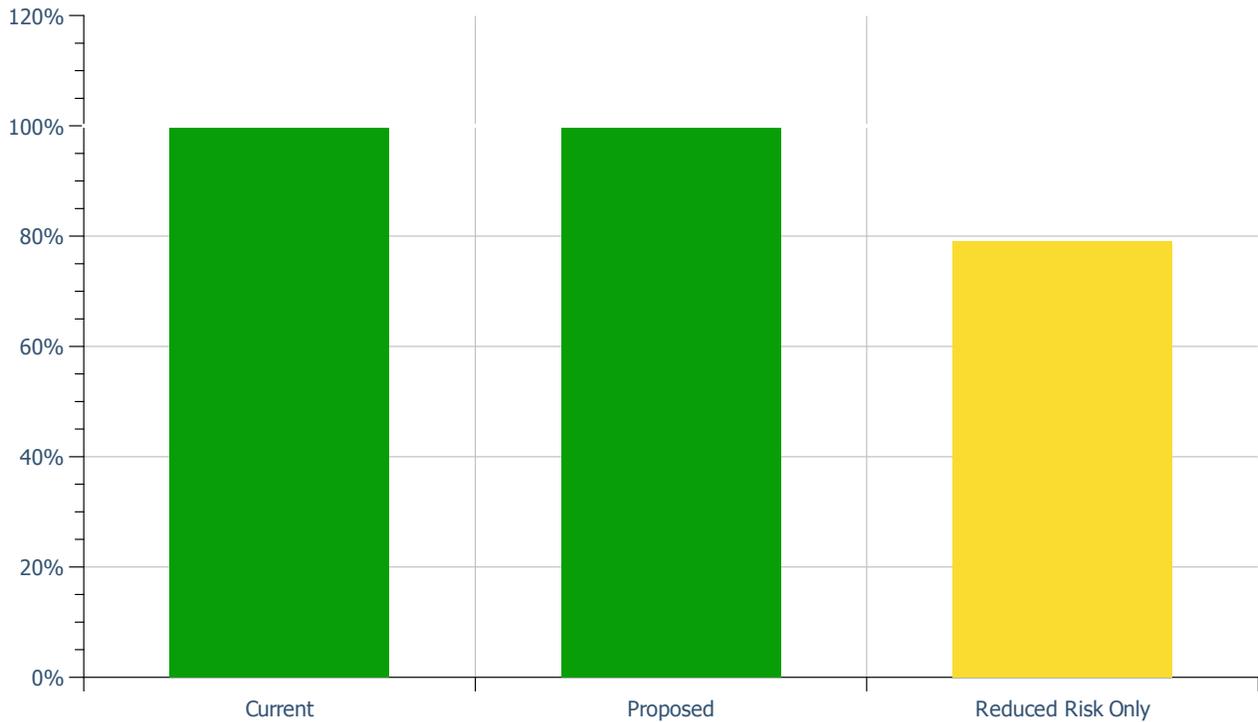


## Retirement

# Retirement Comparison Summary

The following information provides an overview of the selected retirement scenarios and their estimated effect on the retirement goal. The following graph illustrates the ability of each scenario to achieve the retirement goal.

## Scenario Coverage



	Goal Coverage*	Net Worth at Start of Retirement Year	Net Worth at Plan End	Year Capital Is Exhausted	% Fixed Needs Covered by Total Resources
Current	100%	\$3,350,972	\$10,427,271		100%
Reduced Risk & Expenses	100%	\$2,536,400	\$4,818,360		100%
Reduced Risk Only	79%	\$2,536,400	\$2,931,534	2056	79%

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

## Scenario Assumption Comparison

Key Differences	Current	Reduced Risk & Expenses	Reduced Risk Only
<b>Objectives:</b>			
Retirement Age/Year (Emily)	60/Jan 2035	60/Jan 2035	60/Jan 2035
Retirement Age/Year (Robert)	59/Jan 2035	59/Jan 2035	59/Jan 2035
Life Expectancy (Emily)	93/2068	93/2068	93/2068
Life Expectancy (Robert)	90/2065	90/2065	90/2065
Inflation Rate for Plan	3.50%	3.50%	3.50%
Annual Retirement Expenses (Fixed)	100%	<b>65%</b>	100%
Annual Retirement Expenses (Discretionary)	100%	100%	100%
Additional Lump Sum Savings	\$0	\$0	\$0
Current Monthly Savings	\$550	\$550	\$550
Additional Monthly Savings	\$0	\$0	\$0
Additional Monthly Savings Indexed at	0.00%	0.00%	0.00%
Additional Monthly Savings Start Date	May 1, 2014	May 1, 2014	May 1, 2014
Investment Objective (Pre-Retirement)	Current - Not Rebalanced	<b>Moderate Conservative</b>	<b>Moderate Conservative</b>
Investment Objective (Retirement)	Current - Not Rebalanced	<b>Moderate Conservative</b>	<b>Moderate Conservative</b>
Assumed Return Rate: Pre-Retirement	7.84%	<b>5.69%</b>	<b>5.69%</b>
Assumed Return Rate: Retirement	7.84%	<b>5.69%</b>	<b>5.69%</b>
<b>Transfer Strategies:</b> †		N/A	N/A
<b>Liquidation Strategies:</b>			
Capital Liquidation Order	Manually set order	<b>Non-Qualified - Qualified - Roth</b>	<b>Non-Qualified - Qualified - Roth</b>
Qualified assets are available for redemption at age (Emily)	Retirement	Retirement	Retirement
Qualified assets are available for redemption at age (Robert)	Retirement	Retirement	Retirement
<b>Redemption Strategies:</b>	Current Plan	Current Plan	Current Plan
<b>Bucketing Strategy:</b>			
Target Balance (future \$)	N/A	N/A	N/A
Indexed at			
Return Rate			
<b>Social Security:</b>			
Start Age (Emily)	62 years and 1 month	62 years and 1 month	62 years and 1 month
Start Age (Robert)	62 years and 1 month	62 years and 1 month	62 years and 1 month
<b>Income and Expenses:</b>	Current Plan	Current Plan	Current Plan
<b>Annuitization:</b> †		N/A	N/A
<b>Goal Funding Strategy:</b>	Current Plan	Current Plan	Current Plan
<b>New Accounts:</b> †		N/A	N/A

**Note:** Items in bold indicate a change from the current plan.

† What-if strategies are not applicable to the current plan scenario.

Important: The calculations or other information generated by NaviPlan® version 14.1 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. See the Disclaimers section for more information.

# Retirement Summary

## Objective(s)

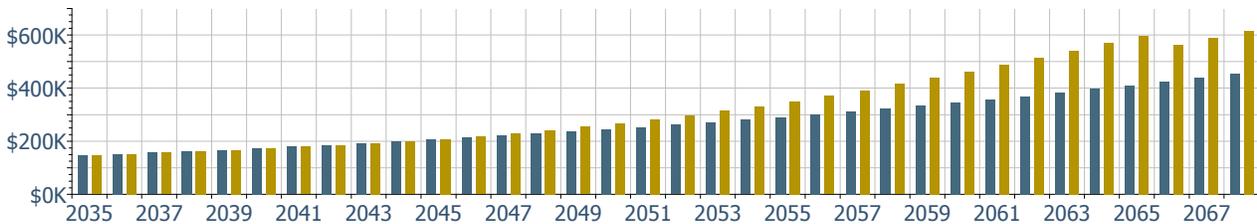
The purpose of the Proposed Plan is to determine whether or not a more conservative approach to your retirement portfolio is a viable option. That philosophy, coupled with our concern of making sure your retirement projection is at least 80% successful when variability is introduced, i.e. a Monte Carlo projection, is what drives your Proposed Plan illustration. In your case, it would appear that if you reduced your overall risk exposure, your retirement projection does not project favorably as indicated in the following section tabbed Monte Carlo. As a result, we furthered our planning analysis to include reducing your retirement expenses to a level that will fit our criteria of 80% success as measured by the Monte Carlo report.

## Analysis

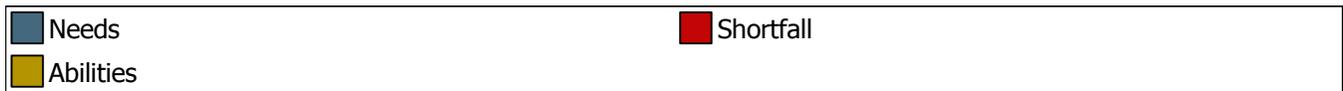
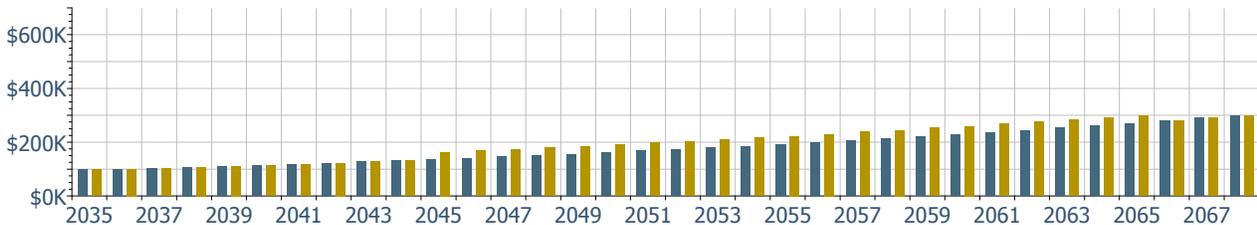
### Retirement Needs vs. Abilities

The following graphs illustrate your projected needs vs. abilities.

#### Current



#### Reduced Risk & Expenses



Financial Objectives	Current	Reduced Risk & Expenses
Emily's Retirement Age/Year	60/2035	60/2035
Emily's Life Expectancy	93	93
Robert's Retirement Age/Year	59/2035	59/2035
Robert's Life Expectancy	90	90
Needs in First Full Retirement Year (in Today's Dollars)	\$71,084	<b>\$46,986</b>
Inflation Rate	3.50%	3.50%

Important: The calculations or other information generated by NaviPlan® version 14.1 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. See the Disclaimers section for more information.

Financial Objectives	Current	Reduced Risk & Expenses
Return Rate: pre-retirement	7.84%	<b>5.69%</b>
Return Rate: retirement	7.84%	<b>5.69%</b>
Available Assets	\$397,461	\$397,461
Assumed Monthly Savings	\$550	\$550
Required Additional Monthly Savings	\$0	\$0
Required Additional Lump-Sum Savings	\$0	\$0

**Note:** Numbers in bold indicate a change from the current plan.

## Consider the Following

- Consider the ongoing impact of your defined benefit plan on your purchasing power in retirement.
- Review your retirement plan and/or retirement account contributions and maximize to the extent possible.
- Because your goal funding needs appear to be met, consider the flexibility you may have to achieve additional goals.
- Re-evaluate your situation periodically since retirement calculations are subject to change.

# Retirement – Current

\*100% This scenario covers 100% of the desired retirement goal objectives.



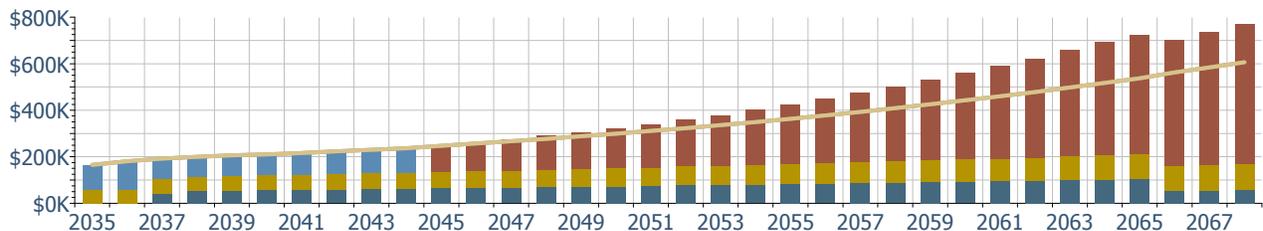
\*This value indicates the percentage of your total retirement needs that can be covered by your total retirement resources during your retirement time period.

## Assumptions

The following table details the key assumptions used in the generation of this scenario:

	Emily	Robert
Retirement Age/Year	60/2035	59/2035
Life Expectancy	93/2068	90/2065
Desired Fixed Expenses Covered	100% (\$146,394)	
Desired Discretionary Expenses Covered	100% (\$10,119)	
Annual Inflation Rate	3.50%	
Total Monthly Savings	\$550	
Investment Objective (ROR) Pre-Retirement	Current - Not Rebalanced (7.84%)	
Investment Objective (ROR) Retirement	Current - Not Rebalanced (7.84%)	

## Analysis



Social Security	Earned Income	Non-Qualified Proceeds	Fixed Needs (incl. taxes)
Pension Income	Required Minimum Distributions	Other Inflows	Total Needs (incl. taxes)
Annuity Payments	Additional Qualified Proceeds	Shortfall	

- Net Worth at Start of Retirement Year: \$3,350,972
- Net Worth at Plan End: \$10,427,271
- Year Capital Is Exhausted:
- % Fixed Needs Covered by Total Resources: 100%

## Additional Assumptions

The following table details the additional assumptions used in the generation of this scenario:

Scenario Settings	Emily	Robert
Capital Liquidation Order	Manually set order	
Social Security Start Age	62 years and 1 month	62 years and 1 month
Bucketing Strategy Target Balance (future \$)	N/A	

Important: The calculations or other information generated by NaviPlan® version 14.1 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. See the Disclaimers section for more information.

# Retirement Income and Expenses – Current

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

Year	Age	Social Security	Pension Income	Annuity Payments	Earned Income	Required Minimum Distributions	Additional Qualified Proceeds	Non-Qualified Proceeds	Other Inflows	Fixed Needs (incl. taxes)	Total Needs (incl. taxes)	Shortfall
2035	<b>*60/60*</b>	0	57,904	0	0	0	0	106,950	0	164,854	164,854	0
2036	61/61	0	59,062	0	0	0	0	121,639	0	180,700	180,700	0
2037	62/62	42,057	60,243	0	0	0	0	89,949	0	192,250	192,250	0
2038	63/63	54,453	61,448	0	0	0	0	83,901	0	199,802	199,802	0
2039	64/64	55,814	62,677	0	0	0	0	87,471	0	205,963	205,963	0
2040	65/65	57,210	63,930	0	0	0	0	88,837	0	209,977	209,977	0
2041	66/66	58,640	65,209	0	0	0	0	92,481	0	216,330	216,330	0
2042	67/67	60,106	66,513	0	0	0	0	96,314	0	222,933	222,933	0
2043	68/68	61,609	67,843	0	0	0	0	100,243	0	229,695	229,695	0
2044	69/69	63,149	69,200	0	0	0	0	104,267	0	236,616	236,616	0
2045	70/70	64,728	70,584	0	0	113,499	0	0	0	247,228	247,228	0
2046	71/71	66,346	71,996	0	0	123,173	0	0	0	257,046	257,046	0
2047	72/72	68,004	73,436	0	0	133,694	0	0	0	266,873	266,873	0
2048	73/73	69,705	74,905	0	0	145,137	0	0	0	277,148	277,148	0
2049	74/74	71,447	76,403	0	0	157,580	0	0	0	287,897	287,897	0
2050	75/75	73,233	77,931	0	0	171,112	0	0	0	299,144	299,144	0
2051	76/76	75,064	79,489	0	0	185,826	0	0	0	310,921	310,921	0
2052	77/77	76,941	81,079	0	0	200,871	0	0	0	323,062	323,062	0
2053	78/78	78,864	82,701	0	0	218,184	0	0	0	335,973	335,973	0
2054	79/79	80,836	84,355	0	0	235,786	0	0	0	349,262	349,262	0
2055	80/80	82,857	86,042	0	0	254,766	0	0	0	363,163	363,163	0
2056	81/81	84,928	87,763	0	0	275,218	0	0	0	377,704	377,704	0
2057	82/82	87,051	89,518	0	0	297,238	0	0	0	392,919	392,919	0
2058	83/83	89,228	91,308	0	0	320,924	0	0	0	408,839	408,839	0
2059	84/84	91,458	93,135	0	0	346,376	0	0	0	425,499	425,499	0
2060	85/85	93,745	94,997	0	0	371,168	0	0	0	442,423	442,423	0
2061	86/86	96,088	96,897	0	0	397,440	0	0	0	460,059	460,059	0
2062	87/87	98,491	98,835	0	0	425,215	0	0	0	478,426	478,426	0
2063	88/88	100,953	100,812	0	0	454,498	0	0	0	497,540	497,540	0
2064	89/89	103,477	102,828	0	0	485,270	0	0	0	517,416	517,416	0
2065	90/90	106,064	104,885	0	0	512,941	0	0	0	537,153	537,153	0
2066	91/--	54,358	106,982	0	0	541,273	0	0	0	563,039	563,039	0
2067	92/--	55,717	109,122	0	0	570,079	0	0	0	584,350	584,350	0
2068	93/--	57,109	111,304	0	0	599,113	0	0	0	606,262	606,262	0

\* = Year of retirement

Important: The calculations or other information generated by NaviPlan® version 14.1 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. See the Disclaimers section for more information.

# Retirement – Reduced Risk & Expenses

\*100% This scenario covers 100% of the desired retirement goal objectives.



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

## Assumptions

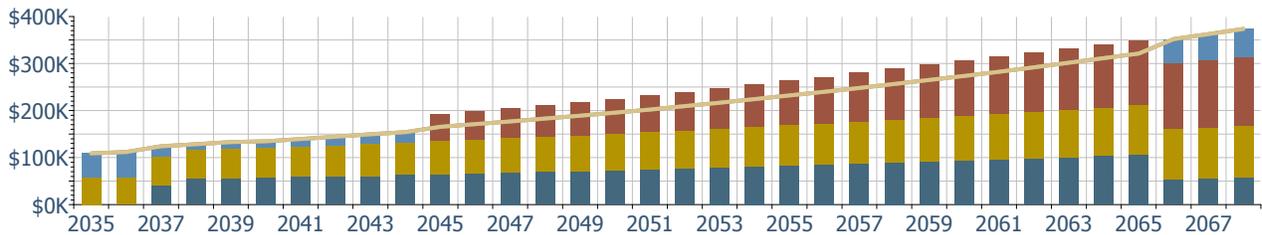
The following table details the key assumptions used in the generation of this scenario:

	Emily	Robert
Retirement Age/Year	60/2035	59/2035
Life Expectancy	93/2068	90/2065
Desired Fixed Expenses Covered	<b>65% (\$96,765)</b>	
Desired Discretionary Expenses Covered	<b>100% (\$0)</b>	
Annual Inflation Rate	3.50%	
Additional Lump-Sum Savings	\$0	
Total Monthly Savings	\$550	
Investment Objective (ROR) Pre-Retirement	<b>Moderate Conservative (5.69%)</b>	
Investment Objective (ROR) Retirement	<b>Moderate Conservative (5.69%)</b>	

**Note:** Numbers in bold indicate a change from the current plan.

**Note:** Information in the table above is for the May 29, 2014 period. Any strategies occurring in the future are not displayed in this table.

## Analysis



Social Security	Earned Income	Non-Qualified Proceeds	Fixed Needs (incl. taxes)
Pension Income	Required Minimum Distributions	Other Inflows	Total Needs (incl. taxes)
Annuity Payments	Additional Qualified Proceeds	Shortfall	

- Net Worth at Start of Retirement Year: \$2,536,400
- Net Worth at Plan End: \$4,818,360
- Year Capital Is Exhausted:
- % Fixed Needs Covered by Total Resources: 100%

## Additional Assumptions

The following table details the additional assumptions used in the generation of this scenario:

Scenario Settings	Emily	Robert
Capital Liquidation Order	Non-Qualified - Qualified - Roth	
Social Security Start Age	62 years and 1 month	62 years and 1 month
Bucketing Strategy Target Balance (future \$)	N/A	

Important: The calculations or other information generated by NaviPlan® version 14.1 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. See the Disclaimers section for more information.

Scenario Settings	Emily	Robert
Additional Annual Retirement Incomes	\$0	\$0
Additional Annual Retirement Expense	\$0	\$0
Annual amount to Annuitize to during Retirement		<b>\$0</b>

Note: Numbers in bold indicate a change from the Current Plan

# Retirement Income and Expenses – Reduced Risk & 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	Pension Income	Annuity Payments	Earned Income	Required Minimum Distributions	Additional Qualified Proceeds	Non-Qualified Proceeds	Other Inflows	Fixed Needs (incl. taxes)	Total Needs (incl. taxes)	Shortfall
2035	<b>*60/60*</b>	0	57,904	0	0	0	0	50,899	0	108,802	108,802	0
2036	61/61	0	59,062	0	0	0	0	52,789	0	111,851	111,851	0
2037	62/62	42,057	60,243	0	0	0	0	21,605	0	123,906	123,906	0
2038	63/63	54,453	61,448	0	0	0	0	12,516	0	128,417	128,417	0
2039	64/64	55,814	62,677	0	0	0	0	14,497	0	132,989	132,989	0
2040	65/65	57,210	63,930	0	0	0	0	13,596	0	134,736	134,736	0
2041	66/66	58,640	65,209	0	0	0	0	15,588	0	139,437	139,437	0
2042	67/67	60,106	66,513	0	0	0	0	17,807	0	144,426	144,426	0
2043	68/68	61,609	67,843	0	0	0	0	20,100	0	149,552	149,552	0
2044	69/69	63,149	69,200	0	0	0	0	21,914	0	154,263	154,263	0
2045	70/70	64,728	70,584	0	0	57,085	0	0	0	165,571	165,571	0
2046	71/71	66,346	71,996	0	0	60,162	0	0	0	171,159	171,159	0
2047	72/72	68,004	73,436	0	0	63,398	0	0	0	176,943	176,943	0
2048	73/73	69,705	74,905	0	0	66,801	0	0	0	182,933	182,933	0
2049	74/74	71,447	76,403	0	0	70,378	0	0	0	189,134	189,134	0
2050	75/75	73,233	77,931	0	0	74,138	0	0	0	195,555	195,555	0
2051	76/76	75,064	79,489	0	0	78,088	0	0	0	202,204	202,204	0
2052	77/77	76,941	81,079	0	0	81,848	0	0	0	209,202	209,202	0
2053	78/78	78,864	82,701	0	0	86,184	0	0	0	216,657	216,657	0
2054	79/79	80,836	84,355	0	0	90,269	0	0	0	224,253	224,253	0
2055	80/80	82,857	86,042	0	0	94,510	0	0	0	232,068	232,068	0
2056	81/81	84,928	87,763	0	0	98,910	0	0	0	239,885	239,885	0
2057	82/82	87,051	89,518	0	0	103,466	0	0	0	247,964	247,964	0
2058	83/83	89,228	91,308	0	0	108,177	0	0	0	256,313	256,313	0
2059	84/84	91,458	93,135	0	0	113,039	0	0	0	264,939	264,939	0
2060	85/85	93,745	94,997	0	0	117,248	0	0	0	273,667	273,667	0
2061	86/86	96,088	96,897	0	0	121,500	0	0	0	282,664	282,664	0
2062	87/87	98,491	98,835	0	0	125,775	0	0	0	291,934	291,934	0
2063	88/88	100,953	100,812	0	0	130,050	0	0	0	301,481	301,481	0
2064	89/89	103,477	102,828	0	0	134,297	0	0	0	311,308	311,308	0
2065	90/90	106,064	104,885	0	0	137,266	0	0	0	321,140	321,140	0
2066	91/--	54,358	106,982	0	0	140,035	0	50,451	0	351,826	351,826	0
2067	92/--	55,717	109,122	0	0	142,558	0	55,288	0	362,685	362,685	0
2068	93/--	57,109	111,304	0	0	144,780	0	60,164	0	373,358	373,358	0

\* = Year of retirement

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# Retirement Net Worth Accumulation – Reduced Risk & Expenses

The following report provides a summary of the accumulation and/or depletion of your assets during your retirement period. It displays the start-of-year asset balance, along with any contributions, redemptions, reinvestments, and growth that are applicable throughout each year, as well as the end-of-year asset balance.

Year	Age(s)	SOY Total Capital	Regular Savings	Redemptions From Assets	Reinvestments	Growth	EOY Total Capital
2035	<b>*60/60*</b>	2,536,400	0	44,298	57,730	43,310	2,593,143
2036	61/61	2,593,143	0	46,579	59,333	44,389	2,650,286
2037	62/62	2,650,286	0	15,836	60,965	45,489	2,740,905
2038	63/63	2,740,905	0	8,599	63,720	46,900	2,842,925
2039	64/64	2,842,925	0	9,960	66,870	48,428	2,948,264
2040	65/65	2,948,264	0	9,341	70,151	50,004	3,059,079
2041	66/66	3,059,079	0	10,709	73,636	51,647	3,173,653
2042	67/67	3,173,653	0	12,233	77,271	53,341	3,292,032
2043	68/68	3,292,032	0	13,840	81,058	55,089	3,414,339
2044	69/69	3,414,339	0	15,601	85,006	56,891	3,540,635
2045	70/70	3,540,635	0	55,885	86,436	58,481	3,629,666
2046	71/71	3,629,666	0	58,897	88,323	60,017	3,719,109
2047	72/72	3,719,109	0	62,065	90,157	61,578	3,808,779
2048	73/73	3,808,779	0	65,396	91,927	63,162	3,898,472
2049	74/74	3,898,472	0	68,898	93,621	64,769	3,987,963
2050	75/75	3,987,963	0	72,579	95,225	66,396	4,077,005
2051	76/76	4,077,005	0	76,446	96,724	68,044	4,165,327
2052	77/77	4,165,327	0	80,127	98,122	69,711	4,253,032
2053	78/78	4,253,032	0	84,372	99,384	71,395	4,339,439
2054	79/79	4,339,439	0	88,371	100,516	73,096	4,424,680
2055	80/80	4,424,680	0	92,524	101,500	74,813	4,508,470
2056	81/81	4,508,470	0	96,830	102,322	76,545	4,590,507
2057	82/82	4,590,507	0	101,291	102,964	78,290	4,670,470
2058	83/83	4,670,470	0	105,903	103,408	80,045	4,748,020
2059	84/84	4,748,020	0	110,662	103,635	81,809	4,822,801
2060	85/85	4,822,801	0	114,783	103,662	83,583	4,895,263
2061	86/86	4,895,263	0	118,946	103,476	85,369	4,965,162
2062	87/87	4,965,162	0	123,131	103,063	87,166	5,032,260
2063	88/88	5,032,260	0	127,316	102,409	88,972	5,096,324
2064	89/89	5,096,324	0	131,474	101,501	90,787	5,157,139
2065	90/90	5,157,139	0	134,380	100,385	92,616	5,215,759
2066	91/--	5,215,759	0	172,541	99,055	94,464	5,236,737
2067	92/--	5,236,737	0	179,754	96,342	96,019	5,249,344
2068	93/--	5,249,344	0	621,735	93,210	97,542	4,818,360

\* = Year of retirement

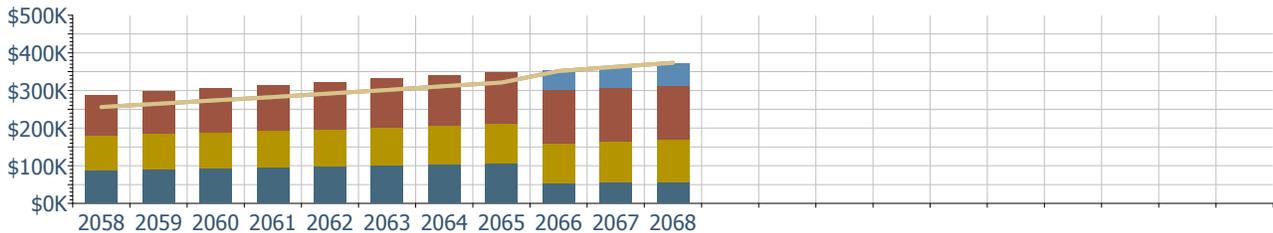
# Longevity – Reduced Risk & Expenses

The illustrations below are based on the assumptions entered for the scenario and illustrate the potential effects living longer could have on the scenario.

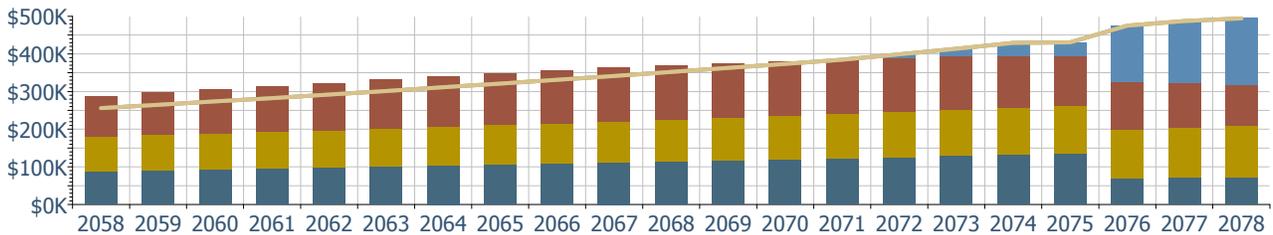
	Goal Coverage*	Net Worth at Plan End	Year Capital Is Exhausted	% Fixed Needs Covered by Total Resources
Proposed	100%	\$4,818,360		100%
Proposed With Longevity	100%	\$5,007,661		100%

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

## Proposed



## Proposed With Longevity



Social Security	Earned Income	Non-Qualified Proceeds	Fixed Needs (incl. taxes)
Pension Income	Required Minimum Distributions	Other Inflows	Total Needs (incl. taxes)
Annuity Payments	Additional Qualified Proceeds	Shortfall	

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## Monte Carlo

# Monte Carlo Analysis Overview

Monte Carlo analysis expands the traditional planning analysis by adding uncertainty into the plan. This analysis takes into consideration that it is difficult to accurately predict annual return rate expectations. Monte Carlo analyzes your plan by randomizing the return rates within the normal assumed distribution range each year. Monte Carlo performs this analysis multiple times to simulate a number of possible financial outcomes.

For example, the actual return in an account with an average rate of return of 8% may vary to some degree over time. Monte Carlo analysis allows us to randomly project an account's returns forward assuming that in some years the account will produce a return lower than the average, say 4%, and in other years the account will produce a return higher than the average, say 12%, for an overall average of 8%. Allowing for this variability in returns does affect the overall plan and the probability for success.

Another element that may be taken into consideration is the uncertainty of your life expectancy. What if you die tomorrow or live to be 110? Monte Carlo can also add this parameter to the analysis by simulating a different possible life expectancy for each projection.

Those outcomes that are able to satisfy all your financial objectives are considered successes and those that do not are considered failures. Overall, a probability of success is determined.

## Analyzing the Results

The success of each goal is dependent upon whether there are sufficient assets designated to fund the particular objective. Your overall plan may be projected to be highly successful if you have significant investments; however, your goal may be projected to have a low success rate if there are insufficient assets associated with the goal. The success of *All Goals* is the overall likelihood that every goal will be reached. If the projected success rate of any of the goals is less than satisfactory, you may want to consider designating additional assets to such a goal. A success is defined as a projection that is able to meet the desired needs in every year of the plan.

The overall *Success Rate* is the probability that you will successfully meet all your financial objectives over your lifetime.

The terminal net worth of the 90<sup>th</sup>, 50<sup>th</sup>, and 10<sup>th</sup> percentiles are also listed. The 90<sup>th</sup> percentile illustrates the projection where 90% of the results are below this value. The 50<sup>th</sup> percentile is the median projection where half the projections fall above and half fall below this value. The 10<sup>th</sup> percentile illustrates the projection where 10% of the results are below this value.

The significance of this in each graph is that the element of uncertainty will cause the results of each projection to vary. From a financial perspective, it is important for your plan to withstand the assumed changes in the value of your investments and be able to meet your income needs throughout your lifetime. The greater the risk in your investments, the greater the cushion of assets you will need to withstand the ups and the downs. When selecting an investment portfolio you should try to select a portfolio with a level of risk that is projected to allow you to meet all your financial objectives and avoids any unnecessary risk.

# Monte Carlo Analysis Assumptions

The following information lists the key points and assumptions used during the evaluation of your analysis.

Assumptions	
Life Expectancy Randomized	No
Force Full Deficit Coverage	No
Retirement Goal Success Tolerance	(\$10,000)
Education Goals Success Tolerance	(\$500)
Major Purchase Goals Success Tolerance	(\$500)
Number of Projections	500

Life Expectancy is **not** randomized. All projections will end at Emily and Robert's planned deceased age.

Full Deficit Coverage is not active for the plan. This means that in the analysis, assets are not redeemed to cover periodic expenses and taxes during pre-retirement. This may understate your success if investment income is automatically reinvested, as taxes may be due on this income.

The Goal Success Tolerance is the amount that the educational or major purchase goal(s) can be underfunded in any trial and still be considered successful.

The Number of Projections is the number of iterations (trials) of your analysis that the software projects using random rates of return and/or life expectancy.

## Rate of Return Randomization

A random number was generated to determine a rate of return based on the standard deviation\* shared by all of your accounts. This calculation is repeated for every account in the plan.

This process is repeated with a different random number for every projection.

\*The assumption is that all returns are normally distributed. This means that approximately 67% 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.

The table below lists the asset classes and standard deviations that are used in this analysis.

Asset Class	Interest	Dividends	Capital Gains	Tax Free	Deferred Growth	Total	Standard Deviation
Large Cap Growth Equity	0.00%	1.96%	4.63%	0.00%	1.89%	8.48%	21.92%
Large Cap Value Equity	0.00%	3.04%	5.53%	0.00%	1.56%	10.13%	17.35%
Mid Cap Equity	0.00%	2.04%	6.43%	0.00%	2.62%	11.09%	20.29%
Small Cap Equity	0.00%	1.71%	5.80%	0.00%	3.71%	11.22%	24.38%
US REITs	0.00%	3.89%	3.41%	0.00%	1.14%	8.44%	23.64%
International Equity	0.00%	3.93%	3.13%	0.00%	2.67%	9.73%	20.87%
Emerging Markets Equity	0.00%	3.17%	9.21%	0.00%	2.16%	14.54%	31.68%
Long Term Bonds	3.82%	0.00%	0.00%	0.00%	0.00%	3.82%	12.81%
Intermediate Term Bonds	2.63%	0.00%	0.00%	0.00%	0.00%	2.63%	6.77%
Short Term Bonds	1.72%	0.00%	0.00%	0.00%	0.00%	1.72%	2.69%
High Yield Bonds	7.58%	0.00%	0.00%	0.00%	0.00%	7.58%	11.45%
International Bonds	3.27%	0.00%	0.00%	0.00%	0.00%	3.27%	11.28%
Cash	1.26%	0.00%	0.00%	0.00%	0.00%	1.26%	1.82%

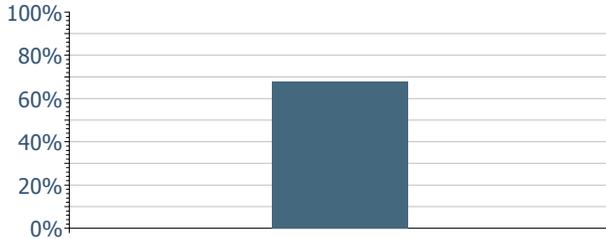
**Note:** The results of each projection will vary with each use and over time.

**Important:** The projections or other information generated by the Monte Carlo 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.

# Monte Carlo Summary

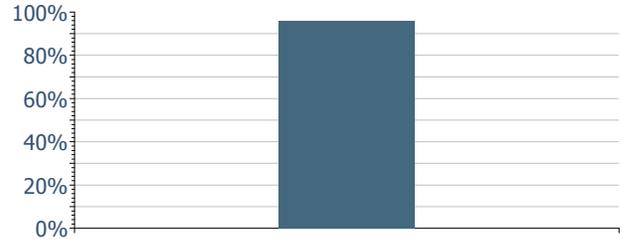
The following graphs and tables summarize the probability of the success of each of your goals:

## Current



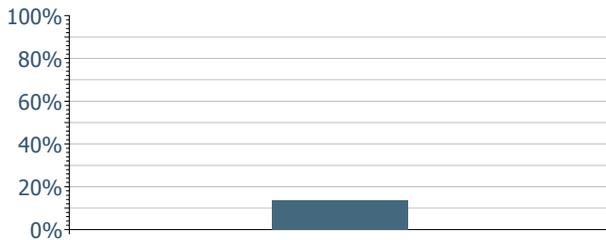
■ Retirement Goal - 68.00%

## Reduced Risk & Expenses



■ Retirement Goal - 96.00%

## Reduced Risk Only



■ Retirement Goal - 13.80%

## Current

Goal	Success Rate	90th Percentile	50th Percentile	10th Percentile
Retirement Goal	68.00%	\$40,151,152	\$9,172,420	\$2,931,534

## Reduced Risk & Expenses

Goal	Success Rate	90th Percentile	50th Percentile	10th Percentile
Retirement Goal	96.00%	\$7,053,799	\$4,687,090	\$3,506,079

## Reduced Risk Only

Goal	Success Rate	90th Percentile	50th Percentile	10th Percentile
Retirement Goal	13.80%	\$3,798,400	\$2,931,534	\$2,931,534

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## Consider the Following

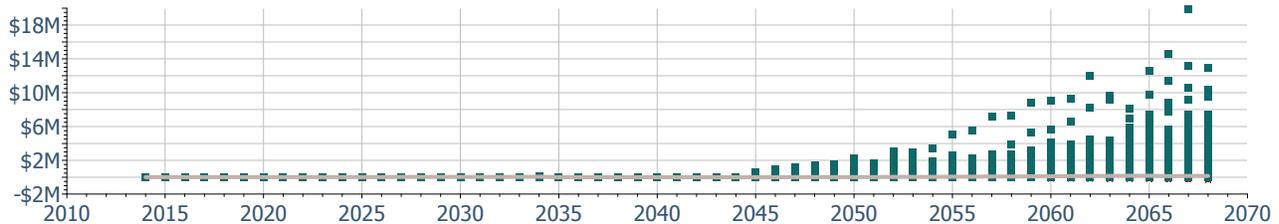
- Do your investments provide you with sufficient cash flow over the entire planning horizon?
- Do large holdings of non-income-producing real estate need to be liquidated at some point during your lifetime?
- Do you have adequate investments to cover shorter-term objectives such as children's education and major purchase and expense items?
- Is the level of risk for your investments appropriate? Could you satisfy your financial objectives with a lower level of risk?
- Comparing plans with two different risk profiles allows you and your advisor to analyze the relative success of the two plans.

# Monte Carlo Sensitivity Analysis – Current

The two graphs in this analysis display a number of projections. The top graph illustrates cash flow and the bottom graph illustrates net worth. In each projection, the return rate expectations have been randomized each year within a range to simulate the assumed ups and downs that many investments, such as stocks, exhibit. The line in each graph represents the traditional projection, based on the rates of return that were specified in the plan, without any fluctuations from year to year.

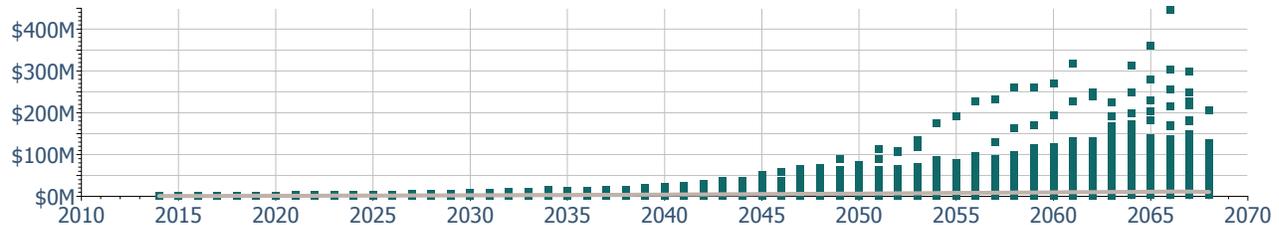
Each projection may either be a success or a failure. A success is represented by a series of square points. A failure is represented by a series of "X"s. A success is defined as a projection that is able to meet the cash flow needs in every year of the plan, without experiencing deficits totaling more than \$10,000.

## Cash Flow



✗ Surplus/Deficit (unsuccessful)   
 ■ Surplus/Deficit (successful)   
 — Surplus/Deficit (average)

## Net Worth

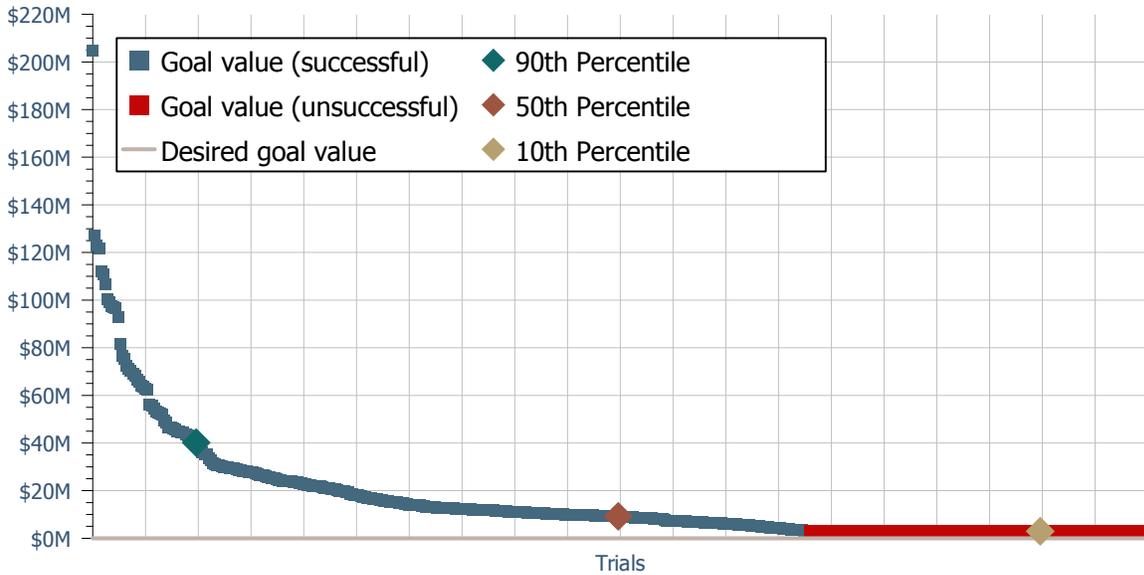


✗ Total Net Worth (unsuccessful)   
 ■ Total Net Worth (successful)   
 — Total Net Worth (average)

## Goal Details

The graph below illustrates each of the trials in the Monte Carlo Simulation for each of the goals. Blue markers show the successful trials and red markers show the unsuccessful trials.

### Retirement Goal

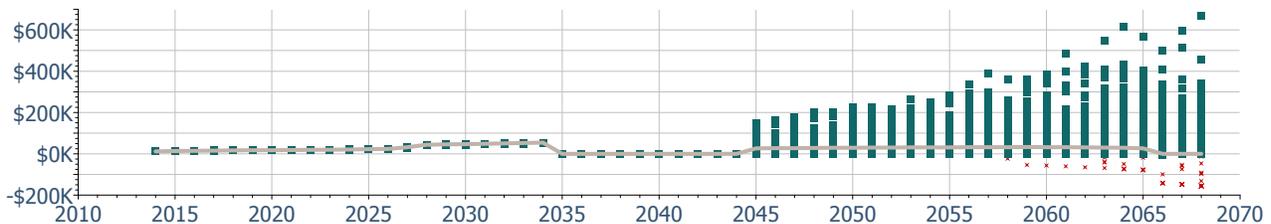


# Monte Carlo Sensitivity Analysis – Reduced Risk & Expenses

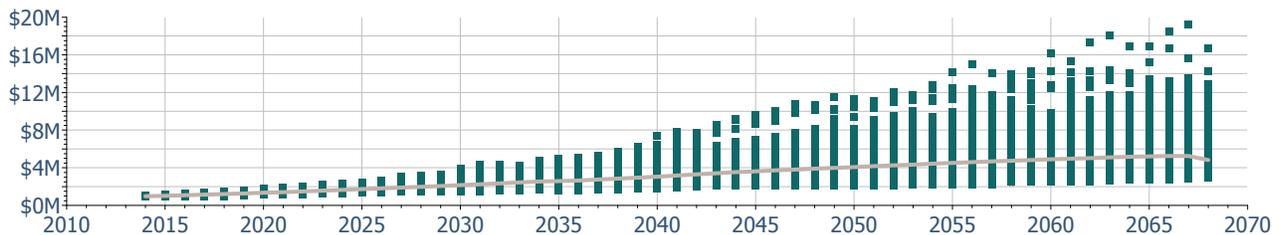
The two graphs in this analysis display a number of projections. The top graph illustrates cash flow and the bottom graph illustrates net worth. In each projection, the return rate expectations have been randomized each year within a range to simulate the assumed ups and downs that many investments, such as stocks, exhibit. The line in each graph represents the traditional projection, based on the rates of return that were specified in the plan, without any fluctuations from year to year.

Each projection may either be a success or a failure. A success is represented by a series of square points. A failure is represented by a series of "X"s. A success is defined as a projection that is able to meet the cash flow needs in every year of the plan, without experiencing deficits totaling more than \$10,000.

## Cash Flow



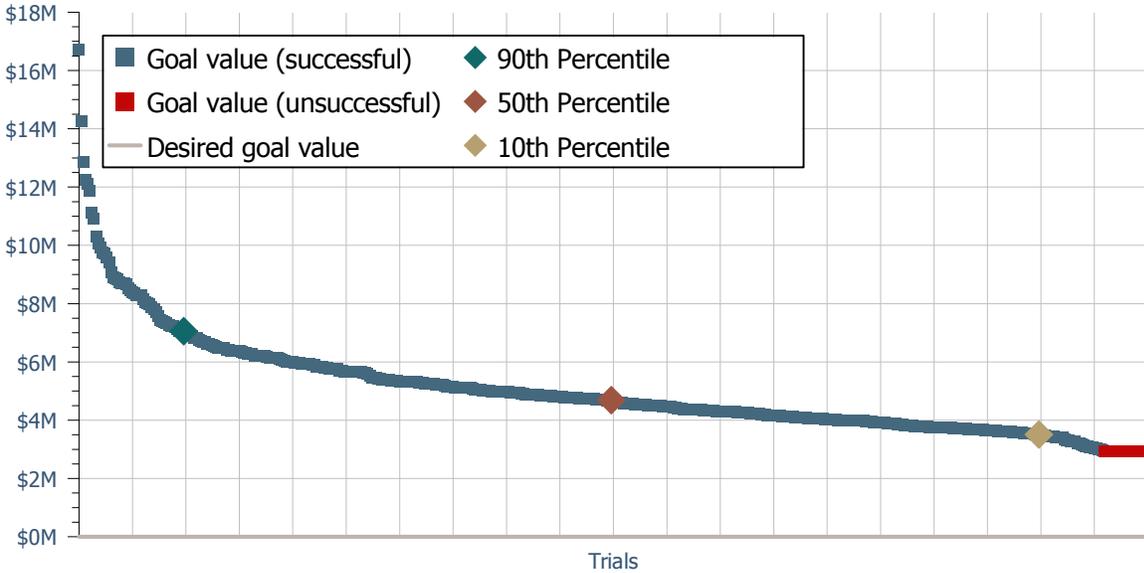
## Net Worth



## Goal Details

The graph below illustrates each of the trials in the Monte Carlo Simulation for each of the goals. Blue markers show the successful trials and red markers show the unsuccessful trials.

### Retirement Goal





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## Appendix – Plan Data Summary

# Plan Data Summary

This report summarizes the data that was entered in your current plan.

## General Information

Detail	Emily	Robert
Birth Date	Jan 1 1975	May 25 1975
Proposed Retirement Date	Jan 2035	Jan 2035
Life Expectancy	Dec 2068	Dec 2065
<b>Pre-Retirement Income Tax Rates</b>		
State Tax Rate	8.70%	8.70%
Average Federal Tax Rate	19.43%	19.43%
Marginal Federal Tax Rate	25.00%	25.00%
Long-Term Capital Gains Tax Rate	15.00%	15.00%
<b>Retirement Income Tax Rates</b>		
State Tax Rate	8.70%	8.70%
Average Federal Tax Rate	19.43%	19.43%
Marginal Federal Tax Rate	25.00%	25.00%
Long-Term Capital Gains Tax Rate	15.00%	15.00%
<b>Year of Death Income Tax Rates</b>		
State Tax Rate	8.70%	8.70%
Average Federal Tax Rate	19.43%	19.43%
Marginal Federal Tax Rate	25.00%	25.00%
Long-Term Capital Gains Tax Rate	15.00%	15.00%

## Assumptions

Detail	
Income Tax Method	Average Tax
Inflation Rate	3.50%
Tax Filing Status - Emily	Married Filing Jointly
Tax Filing Status - Robert	Married Filing Jointly
Investment Profile:	Blended Mix

## Estate Assumptions

Detail	Emily	Robert
Is there a will?	Yes - Revised: Oct 10 2007	Yes - Revised: Oct 10 2007
Life Expectancy	2017	2022
State Death Tax	Current Legislated Amount	Current Legislated Amount
Probate Fee	1.00%	1.00%
Administration Fee	1.00%	1.00%

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## Dependents

Name	Birth Date	Age as of Plan Date	Dependent Of (for tax)	Dependent Of (for Social Security)
Steven	Dec 22 2004	9	Emily and Robert	Emily and Robert
Jessica	Apr 22 2001	13	Emily and Robert	Emily and Robert

## Family Information

Client	
<b>Name</b>	<b>Emily Sample</b>
Date of Birth	Jan 1 1975
Gender	Female
Address	Washington, District of Columbia
	United States
Citizenship	United States
<b>Name</b>	<b>Robert Sample</b>
Date of Birth	May 25 1975
Gender	Male
Address	Washington, District of Columbia
	United States
Citizenship	United States

## Dependents

Dependents	
<b>Name</b>	<b>Steven Sample</b>
Date of Birth	Dec 22 2004
Gender	Male
Address	Washington, District of Columbia
	United States
Dependent Of	Emily and Robert
<b>Name</b>	<b>Jessica Sample</b>
Date of Birth	Apr 22 2001
Gender	Female
Address	Washington, District of Columbia
	United States
Dependent Of	Emily and Robert

## Regular Income

Income Source	Member	Applicable	Amount	Indexed
Annual Income	Emily	Jan 1 2010 to Dec 31 2034	\$40,000/yr	Inflation
Annual Income	Robert	Jan 1 2010 to Dec 31 2034	\$40,000/yr	Inflation

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## Defined Benefit Pension Plans - Estimate Benefit

Description:	Pension	Annual Benefit:	\$28,952
Plan Owner:	Emily	Indexed By:	2.00%
Pct. Payable to Survivor:	100.00%		

Description:	Pension	Annual Benefit:	\$28,952
Plan Owner:	Robert	Indexed By:	2.00%
Pct. Payable to Survivor:	100.00%		

## Social Security Retirement Benefits

Member	Start Date / Age	Calculated Monthly Benefit (% / \$) OR Est. Monthly Benefit (today's \$)	Indexed	Eligible for Spousal Benefits
Emily	Jan 1 2037 / 62.1	100% / \$1,254	Inflation <sup>1</sup>	Yes
Robert	Jun 1 2037 / 62.1	100% / \$1,254	Inflation <sup>1</sup>	Yes

<sup>1</sup> Indexed annually by inflation + -1.0%

## Social Security Survivor Benefits

Member	Monthly Benefit to Survivor and Eligible Dependents (% / \$)	Monthly Benefit to Survivor at Retirement (% / \$)	Spouse's Revised Start Date During Retirement	Indexed
Emily	100% / \$2,385	100% / \$1,137	At Retirement	Inflation
Robert	100% / \$2,385	100% / \$1,137	At Retirement	Inflation

## Regular Expenses

Expense	Member	Applicable	Amount	Indexed	Fixed Expense
Expenses	Joint	Jan 1 2010 to Dec 31 2034	\$2,500/mo	Inflation	Yes
Retirement goal expense	Joint	Jan 1 2035 to Dec 31 2068	\$68,851/yr	Inflation	Yes
LTC Expense	Emily	Not applicable	\$187/day	Inflation	Yes
LTC Expense	Robert	Not applicable	\$187/day	Inflation	Yes
Property Taxes for Residence	Joint	Dec 31 2006 to Never	\$2,000/yr	Inflation	Yes

## Lifestyle Assets

Asset Name:	Other Personal Assets (i.e. collectibles)		
Asset Type:	Other Personal Assets	Sale Date:	N/A
Owner:	Joint	Direct After Tax Proceeds To:	N/A
Purchase Date:	Dec 31 2006	Projected Value as of Sale Dates:	
Purchase Amount:	\$40,000	Before Tax:	N/A
Market Value:	\$44,163	After Tax:	N/A
Valuation Date:	Jan 1 2014		
Growth Rate: <sup>1</sup>	2.00%		
Standard Deviation:	0.00%		

<sup>1</sup>The growth rate is a pre-tax amount

Asset Name:	Personal Use Property (i.e. car, boat)		
Asset Type:	Personal Use Property	Sale Date:	N/A
Owner:	Joint	Direct After Tax Proceeds To:	N/A
Purchase Date:	Dec 31 2006	Projected Value as of Sale Dates:	
Purchase Amount:	\$25,000	Before Tax:	N/A
Market Value:	\$27,602	After Tax:	N/A
Valuation Date:	Jan 1 2014		
Growth Rate: <sup>1</sup>	2.00%		
Standard Deviation:	0.00%		

<sup>1</sup>The growth rate is a pre-tax amount

Asset Name:	Residence		
Asset Type:	Residence	Sale Date:	N/A
Owner:	Joint	Direct After Tax Proceeds To:	N/A
Purchase Date:	Dec 31 2006	Projected Value as of Sale Dates:	
Purchase Amount:	\$250,000	Before Tax:	N/A
Market Value:	\$405,746	After Tax:	N/A
Valuation Date:	Jan 1 2014		
Growth Rate: <sup>1</sup>	3.00%		
Standard Deviation:	0.00%		

<sup>1</sup>The growth rate is a pre-tax amount

Asset Name:	Vacation home		
Asset Type:	2nd Residence	Sale Date:	N/A
Owner:	Joint	Direct After Tax Proceeds To:	N/A
Purchase Date:	Dec 31 2006	Projected Value as of Sale Dates:	
Purchase Amount:	\$0	Before Tax:	N/A
Market Value:	\$220,816	After Tax:	N/A
Valuation Date:	Jan 1 2014		
Growth Rate: <sup>1</sup>	2.00%		
Standard Deviation:	0.00%		

<sup>1</sup>The growth rate is a pre-tax amount

## Portfolio Assets

Asset Name	Goal	Market Value Date	Market Value	Basis	Int. (%)	Div. (%)	Cap. Gain (%)	Tax Free (%)	Def. Growth (%)	Std. Dev. (%)	Total (%)	Annual Fee (%)	Income Reinvested
Life Insurance Proceeds (Joint/Non-Qualified)	Retirement	Jan 1 2014	\$0	\$0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Yes
\$147K of Brokerage (Joint/Non-Qualified)	Retirement	Jan 1 2014	\$147,055	\$38,684	0.00	2.22	5.83	0.00	2.36	19.96	10.42	0.00	Yes
Savings (Joint/Non-Qualified)	Retirement	Jan 1 2014	\$52,054	\$52,054	1.26	0.00	0.00	0.00	0.00	1.82	1.26	0.00	Yes
ICMA RC 457 (Robert)	Retirement	Jan 1 2014	\$76,698	\$0	2.39	0.51	1.22	0.00	0.50	7.48	4.62	0.00	Yes
Qualified Account (Emily/401(k))	Retirement	Jan 1 2014	\$121,654	\$0	0.09	2.55	5.13	0.00	1.70	17.64	9.47	0.00	Yes

Important: The calculations or other information generated by NaviPlan® version 14.1 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. See the Disclaimers section for more information.

The *Portfolio Assets* section includes your major investment assets. It supplies the market value and cost basis of these assets. Cost basis for non-qualified assets is equal to the amount you paid to acquire the assets, plus income reinvestments, less any amounts you received income tax-free. Your total pretax growth rate is broken down into specific return rate types, as some of these items currently receive special tax treatment. At present interest is taxed as ordinary income at the marginal tax rates. Capital gains are either long-term or short-term. For non-qualified assets, income from the deferred growth component is not subject to tax until the asset is sold and is usually subject to the capital gains tax rules. For qualified assets, income from the deferred growth component is usually subject to tax as ordinary income at the average tax rates. Tax-free returns are not subject to regular income tax, but may be subject to the Alternative Minimum Tax. The actual total return rates that you will receive will depend on many factors, including inflation, type of investment, market conditions and investment performance.

## Life Insurance Policies

Description:	Life insurance policy		
<b>Policy Type:</b>	Term 10 Life	<b>Owner:</b>	Emily
		<b>Insured:</b>	Emily
<b>Death Benefit:</b>	\$120,000	<b>Beneficiary:</b>	Robert
<b>Cash Surrender Value (CSV):</b>	\$0	<b>Premium Payer:</b>	Emily
<b>Premiums Cease On:</b>	Jan 1 2040	<b>Annual Premium Payments:</b>	\$240
<b>CSV Payable With Death Benefit:</b>	No	<b>Coverage Ceases On:</b>	Jan 1 2040
		<b>Disability Waiver:</b>	Yes

Description:	Life insurance policy		
<b>Policy Type:</b>	Term 10 Life	<b>Owner:</b>	Robert
		<b>Insured:</b>	Robert
<b>Death Benefit:</b>	\$120,000	<b>Beneficiary:</b>	Emily
<b>Cash Surrender Value (CSV):</b>	\$0	<b>Premium Payer:</b>	Robert
<b>Premiums Cease On:</b>	May 25 2040	<b>Annual Premium Payments:</b>	\$240
<b>CSV Payable With Death Benefit:</b>	No	<b>Coverage Ceases On:</b>	May 25 2040
		<b>Disability Waiver:</b>	Yes

## Disability Insurance Policies

Description:	Disability insurance policy		
<b>Policy Type:</b>	Group LTD	<b>Insured:</b>	Emily
		<b>Effective Date:</b>	Dec 31 2006
<b>Company:</b>		<b>Owner:</b>	Emily
<b>Policy #:</b>		<b>Premium Payer:</b>	Emily

Benefits are **60% of salary (taxable)**.  
 Benefits begin **after 3 months** and are paid **until age 65**.  
 Premiums are **\$0/month** and end on **Dec 31 2034**.

<b>Description:</b>	Disability insurance policy		
<b>Policy Type:</b>	Group STD	<b>Insured:</b>	Emily
		<b>Effective Date:</b>	Dec 31 2006
<b>Company:</b>		<b>Owner:</b>	Emily
<b>Policy #:</b>		<b>Premium Payer:</b>	Emily

Benefits are **60% of salary (taxable)**.  
Benefits begin **after 2 weeks** and are paid **until 3 months**.  
Premiums are **\$0/month** and end on **Dec 31 2034**.

<b>Description:</b>	Disability insurance policy		
<b>Policy Type:</b>	Group LTD	<b>Insured:</b>	Robert
		<b>Effective Date:</b>	Dec 31 2006
<b>Company:</b>		<b>Owner:</b>	Robert
<b>Policy #:</b>		<b>Premium Payer:</b>	Robert

Benefits are **30% of salary (taxable)**.  
Benefits begin **after 3 months** and are paid **until age 65**.  
Premiums are **\$0/month** and end on **Dec 31 2034**.

<b>Description:</b>	Disability insurance policy		
<b>Policy Type:</b>	Group STD	<b>Insured:</b>	Robert
		<b>Effective Date:</b>	Dec 31 2006
<b>Company:</b>		<b>Owner:</b>	Robert
<b>Policy #:</b>		<b>Premium Payer:</b>	Robert

Benefits are **30% of salary (taxable)**.  
Benefits begin **after 2 weeks** and are paid **until 3 months**.  
Premiums are **\$0/month** and end on **Dec 31 2034**.

## Liabilities

Liability Name	Liability Date	End Date	Original Principal	Current Principal	Int. Rate	Payment Type	Linked to Asset
Mortgage	Dec 31 2006	Aug 31 2027	\$200,000	\$156,416	5.75%	Principal & Interest	N/A

## Regular Investment Strategies

Asset Name	Applicable	Amount	Indexed
Qualified Account (Emily/401(k))	Jan 1 2007 to Dec 31 2034		
Employee Pre-Tax Contribution		\$150/month	0.0%
Employee Post-Tax Contribution (0.00% of Salary)		\$0/month	N/A <sup>1</sup>
Employer Contribution		\$200/month	0.0%
ICMA RC 457 (Robert)	Jan 1 2007 to Dec 31 2034		
Employee Pre-Tax Contribution		\$0/month	0.0%
Employee Post-Tax Contribution (0.00% of Salary)		\$0/month	N/A <sup>1</sup>
Employer Contribution		\$200/month	0.0%

<sup>1</sup> Indexing occurs if the salaries used in the calculations have been indexed.

The table above includes all your periodic (annual or monthly) investment contributions.

## Transfer Strategies

Source Asset	Destination Asset	Amount	When
Life insurance policy	Life Insurance Proceeds	100%	Upon Death

Transfers specify a plan for moving your investments from one type of asset to another on specific dates or events such as retirement. Also, transfers will be desirable in some cases to move from one type of investment to another type at a certain point in time. Refer to your **Action Plan** to view the amounts to be transferred for the next three years.

## Deficit Coverage Strategies

Asset Name	Applicable
Life Insurance Proceeds (Joint/Non-Qualified)	While Retired
Qualified Account (Emily/401(k))	Jan 1 2035 to Dec 31 2068
ICMA RC 457 (Robert)	Jan 1 2035 to Dec 31 2068
\$147K of Brokerage (Joint/Non-Qualified)	While Retired
Savings (Joint/Non-Qualified)	While Retired

The assets listed are available for redemption to meet cash flow needs. The *Applicable* column indicates the period of time these assets are available. Typically, qualified assets are not available during your working years.

## Liquidation Order for Retirement

Asset Name	Account Type	Owner
Savings	Non-Qualified	Joint
Brokerage	Non-Qualified	Joint
ICMA RC 457	457	Robert
Qualified Account	401(k)	Emily

At retirement the liquidation of accounts will be based on the following order: Manually set order.

## Emergency Expenses

Expense	Amount	Index Rate
Emergency Fund	\$13,993	N/A

No assets have been set aside to cover the emergency expense.

## Estate Distribution

The Simple Will option has been selected.

# Giftng Growth

Beneficiary	GSTT applicable for Emily's gifts	GSTT applicable for Robert's gifts	50% Charity	Growth Rate	Average Income Tax Rate	Net After-Tax Growth
Other (Other)	No	No		3.50%	0.0%	3.50%
Steven Sample (Heir)	No	No		3.50%	0.0%	3.50%
Jessca Sample (Heir)	No	No		3.50%	0.0%	3.50%

Important: The calculations or other information generated by NaviPlan® version 14.1 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. See the Disclaimers section for more information.

# Tax Considerations

On January 1, 2013, the U.S. Congress adopted the American Taxpayer Relief Act of 2012 (ATRA, 'the Act'). The Act allowed the Bush-era tax rates to sunset after 2012 for individuals with incomes over certain amounts. The legislation permanently 'patched' the alternative minimum tax (AMT), revived many expired tax extenders, including the American Opportunity Tax Credit, and changed the estate tax rate and exemption amount.

ATRA made the estate tax permanent and set the exemption amount equal to \$5,000,000 for 2010 subject to inflation for future years. As a result the exemption has been increased to \$5,340,000 for 2014 per person (subject to future inflation), or \$10,680,000 per couple. The portability of an unused spousal exclusion was also made permanent by the Act. The top tax rate bracket was increased from 35% to 40%, and a few additional brackets have been added to the unified credit table. Estate and gift taxes continue to be unified, as part of the permanent part of the Act.

ATRA provided for a top dividend and capital gains rate of 20% in 2013 and subsequent years, higher than the top rate of 15% in 2012, but below ordinary income rates. This preferential rate still only applies to long-term capital gains, and not to short-term gains. These provisions have also been made permanent, without any sunset option.

# Important Terminology

## **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**

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.

## **Scenarios**

A scenario is a modification of assumptions based on the current plan. A proposed scenario is incorporated into the proposed 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 represent a further division within an asset class 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 combination of the suggested asset mix and the assumed asset mix associated with all of the goals included in the plan.

**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).

**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.

**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**

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 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.

**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.

## **Required minimum distribution (RMD)**

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

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

UTMA and UGMA are custodial accounts, owned by a minor with an adult designated as the custodian. The accounts are normally used to save for the child's education. Once the transfer to the account occurs, the account is the legal property of the child and can only be used for the child's benefit. When the child reaches the age of majority, control of the account transfers to the child and the child can use the proceeds as he or she wishes. The UTMA considers the age of majority to be 21 although it is 18 in some states.

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

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

## **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.

## **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.

## **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.

## **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.

## **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*).

## **Asset class**

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

## **LargeCap Growth Equity – Russell 1000 ® Growth Index**

The Russell 1000 Growth Index captures the performance of the large-cap portion of the Russell 1000 index with a 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.

## **LargeCap 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.

## **MidCap Equity – Russell Midcap® Index**

The Russell Mid Cap Index consists includes approximately 800 of the smallest companies in the Russell 1000 index, as ranked by total market capitalization. This midcap index represents approximately 31% of the Russell 1000 total market capitalization. As of November 2013, the weighted average market capitalization was approximately \$11.286 billion; the median market capitalization was approximately \$5.729 billion. The largest company in the index had an approximate market capitalization of \$28.285 billion.

## **SmallCap 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, representing approximately 10% of the Russell 3000 total market capitalization. As of November 2013, the weighted average market capitalization was approximately \$1.757 billion; the median market capitalization was approximately \$0.700 billion. The largest company in the index had an approximate market capitalization of \$5.373 billion.

## **International Equity – MSCI EAFE® Index**

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of November 2013 the MSCI EAFE Index consisted 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.

## **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 in the global emerging markets. As of November 2013 the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

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

The FTSE NAREIT Index is an unmanaged index considered representative of U.S. real estate investment trusts (REITs). The index is a market capitalization-weighted index that contains all tax-qualified REITs with more than half of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

## **High Yield Bonds – Barclay's 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. A small number of unrated bonds are included in the index; 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. The index excludes Emerging Markets debt.

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

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.

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

The objective of this benchmark is to reflect the returns provided by investment in international (non U.S.) fixed income securities. 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 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.

### **Long-Term Bonds – US Long-Term Government Bonds**

The objective of this benchmark is to measure the returns of long-term bonds. To the greatest extent possible the total returns are calculated for each year on a single bond issued by the United States 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 – US Intermediate Term Government Bonds**

The objective of this benchmark is to measure the returns of intermediate-term bonds. As with long-term government bonds, one-bond portfolios are 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. Monthly returns are computed. Bonds with impaired negotiability or special redemption privileges are omitted, as are partially or fully tax-exempt bonds starting in 1943.

### **Short-Term Bonds – US 1-Year Government Bonds**

The objective of this benchmark is to reflect the returns provided by the short-term fixed income instruments. Yields on Treasury securities at "constant maturity" are interpolated by the U.S. Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 3 and 6 months and 1, 2, 3, 5, 7, 10, 20, and 30 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity.

## Important acronyms

<b>EOY</b> – End of year	<b>CSV</b> – Cash surrender value
<b>ILIT</b> – Irrevocable Life Insurance Trust	<b>GSTT</b> – Generation-skipping transfer tax
<b>ATRA</b> – American Taxpayer Relief Act of 2012	<b>IRD</b> – Income in respect of a decedent
<b>SOY</b> – Start of year	<b>RMD</b> – Required minimum distribution
<b>UMD</b> – Unlimited marital deduction	<b>UGMA</b> – Uniform Gift to Minors Act
<b>ROR</b> – Rate of return	<b>UTMA</b> – Uniform Transfer to Minors Act
<b>ESA</b> – Education Savings Accounts	<b>CST</b> – Credit Shelter Trust
<b>ILIT</b> – Irrevocable Life Insurance Trust	<b>QTIP</b> – Qualified Terminable Interest Property
<b>QDOT</b> – Qualified Domestic Trust	

# Disclaimer

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

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

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

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

The assumptions used in this analysis are based on information provided and reviewed by you. Please review all assumptions in the Plan Data Summary section before reviewing the rest of the report to ensure the accuracy and reasonableness of the assumptions. These assumptions must be reconsidered on a frequent basis to ensure the results are adjusted accordingly. The smallest of changes in assumptions can have a dramatic impact on the outcome of this analysis. Any inaccurate representation by you of any facts or assumptions used in this analysis invalidates the results.

*This Report is Not a Comprehensive Financial Report and Does Not Include, Among Other Things, a Review of Your Insurance Policies*

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

*NaviPlan Does Not Constitute Legal, Accounting, or Tax Advice*

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

Circular 230: Any income tax, estate tax or gift tax advice contained within this document was not intended or written to be used for, and cannot be used for, the purpose of avoiding penalties that may be imposed.

## ***Discussion of the Limits of Financial Modeling***

*Inherent Limitations in Financial Model Results*

Investment outcomes in the real world are the result of a near infinite set of variables, few of which can be accurately anticipated. Any financial model, such as NaviPlan, can only consider a small subset of the factors that may affect investment outcomes and the ability to accurately anticipate those few factors is limited. For these reasons, investors should understand that the calculations made in this analysis are hypothetical, do not reflect actual investment results, and are not guarantees of future results.

### *Results May Vary With Each Use and Over Time*

The results presented in this analysis are not predictions of actual results. Actual results may vary to a material degree due to external factors beyond the scope and control of this analysis. Historical data is used to produce future assumptions used in the analysis, such as rates of return. Utilizing historical data has limitations as past performance is not a guarantee or predictor of future performance.

### ***Outline of the Limitations of NaviPlan and Financial Modeling***

#### *Your Future Resources and Needs May Be Different From the Estimates That You Provide*

This analysis is intended to help you in making decisions on your financial future based, in part, on information that you have provided and reviewed. The 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*

NaviPlan utilizes this information to estimate your future needs and financial resources and to identify an allocation of your current and future resources, given your tolerance for investment risk, to a few broad investment categories: large-cap equity, mid-cap equity, small-cap equity, international equity, emerging equity, bonds, and cash.

In general, NaviPlan favors the investment categories that have higher historical and expected returns. The extent of the recommended allocation to these favored investment categories is limited by the investor's disclosed tolerance for risk. In general, higher returns are associated with higher risk.

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

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

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

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

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

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

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

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

### *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. Please review the tax assumptions outlined in the Plan Data Summary section of this report for more specific information regarding tax assumptions used in the calculations.

### *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. Please review all assumptions in the Plan Data Summary section of this report to assess the reasonableness of the assumptions associated with any variable products used in the calculations.

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

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

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