Financial Strategies

A lifestyle report prepared for

Keith Patterson and Kathryn Patterson

Current Situation

Presented by:
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For Evaluation Purposes Only

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PLEASE READ CAREFULLY

Important Notes

This report illustrates your financial lifestyle, or your hypothetical cash flow and its effects on your net worth. This analysis provides only broad, general guidelines, which may be helpful in shaping your thinking about your planning needs. It can serve as a guide for discussions with your professional advisers. The quality of this analysis is dependent upon the accuracy of data provided by you. Calculations contained in this analysis are estimates only.

Actual results may vary substantially from the figures shown. All rates of return are hypothetical and are not a guarantee of future performance of any asset, including insurance or other financial products. All inflation rates are estimates provided by you.

This analysis contains very specific computations concerning the value of your assets today. These computations are based on assumptions you provided concerning the value of your assets today and the rate at which the assets will appreciate. These assumptions must be carefully reviewed for their reasonableness. These assumptions are only a "best guess". The actual values, rates of growth, and tax rates may be significantly different from those illustrated. The actual taxes due may be significantly greater or smaller than those illustrated. No guarantee can be made regarding values and taxes when actual appreciation rates and tax rates cannot be known at this time.

For illustrative purposes, many assumptions must be made concerning the sale of properties or the change of property ownership. These are for illustrative purposes and not to be considered as legal advice; only your solicitor should provide such advice. No legal or accounting advice is being rendered either by this report or through any other oral or written communications. Please discuss legal and accounting matters directly with your advisers in each of those areas. Because your planning concerns and goals may change in the future, periodically monitoring actual results and making appropriate adjustments are essential components of your program. Annual updating allows a year of estimated values to be replaced with actual results and can be very helpful in your determining whether your plans are on your desired course. Strategies may be proposed during the course of planning, including the acquisition of insurance and other financial products. When this occurs, additional information about the specific product (including a key features document, if required) will be provided for your review.

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Executive Summary

This is an overview of the Financial Analysis prepared just for you.

This Executive Summary condenses numerous calculations into condensed, one-page summaries of the financial objectives. A one-page summary can never be complete, but it helps you determine areas of your finances that need further considerations. Before taking actions based on any item in this summary, you should examine the detailed analysis contained in the complete *Financial Analysis* that has been prepared for you.

Your Defined Goals

Maintaining Lifestyle

Make all outgoing payments without using assets you specified as your lifestyle assets.
Some assets represent crucial elements of your lifestyle. If a financial plan requires you to use or sell your lifestyle assets, it is unacceptable. You designated these assets as "Do Not Use":

- Family Home
- Golf Timeshare
- Buy to Let
- Italian Villa

Retirement

Maintain your defined lifestyle, including adjustments specified for retirement. You have defined retirement as the date when Keith reaches, or would have reached, age 60.

Other Specific Needs

Wedding for Julie valued at £15,000 Monthly (Starting on Jan 01, 2023 and ending after a one time occurrence)

Future Purchases

Golf Timeshare for Keith costing £25,000 (value today) (starting on Jan 01, 2015)
Italian Villa for Keith and Kathryn costing £165,000 (value today) (starting when Keith retires)

Education Needs

Education for	Annual Education Cost (Today's Money)	Portion Funded from Other Sources[1]	Start in Year	For Years	Total Cost for Education[2]	Institution
Jack	£9,500	0%	2014	4	£57,562	University
Julie	£9,500	0%	2016	4	£64,676	University
Jack	£15,000	0%	2009	5	£87,939	Public School

This analysis examines the effects of these goals on your overall finances.

[1] Other sources may include scholarships, grants, student loans, or student work.
[2] Total Cost for Education is the total for the entire education need, assuming an annual inflation rate of 6%. This total does not reflect the portion of education costs funded from other sources.

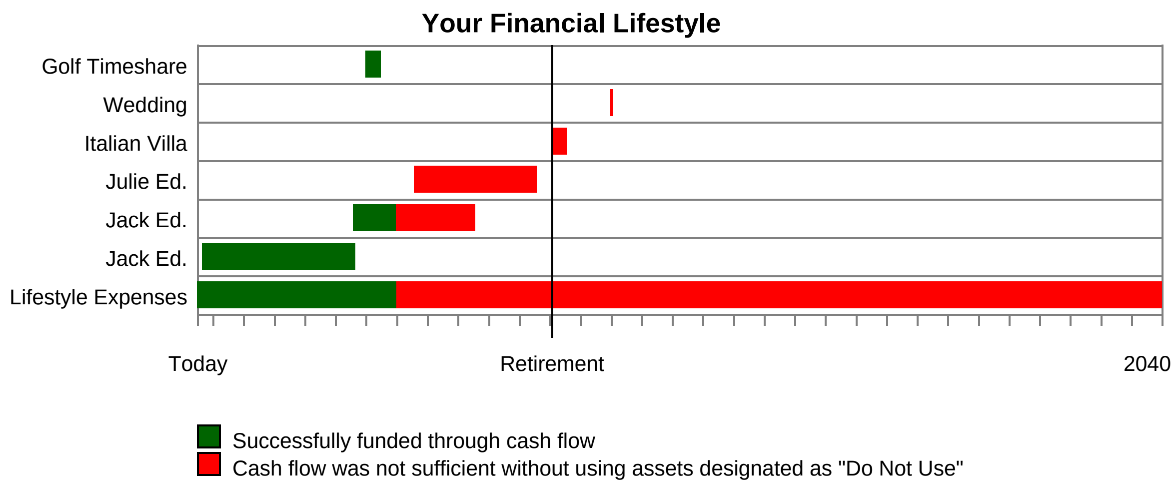
Cash Flow Used to Maintain Your Lifestyle

You can answer your most important financial questions by analyzing your monthly cash flow. Will you have sufficient cash flow to maintain your lifestyle? Will your assets continue to grow, or will they decrease or become depleted? You must know answers to these questions before you can make proper financial plans.

Cash Flow Objective

- Pay all lifestyle expenses and outgoing payments
- After applying education funds, pay any remaining education costs
- Fund all specific needs as they arise
- Make future purchases on the designated dates
- Make payments on all loans
- Under no circumstances use assets designated "Do Not Use" for cash flow

Will you maintain your lifestyle?



It appears your cash flow would be insufficient due in part to your education and other specific needs.

Consider:

Shortfall occurred in January of 2016.
The value of the shortfall today invested at 6%: £113,632
You need to reduce your monthly outgoing payments by 5% beginning today.

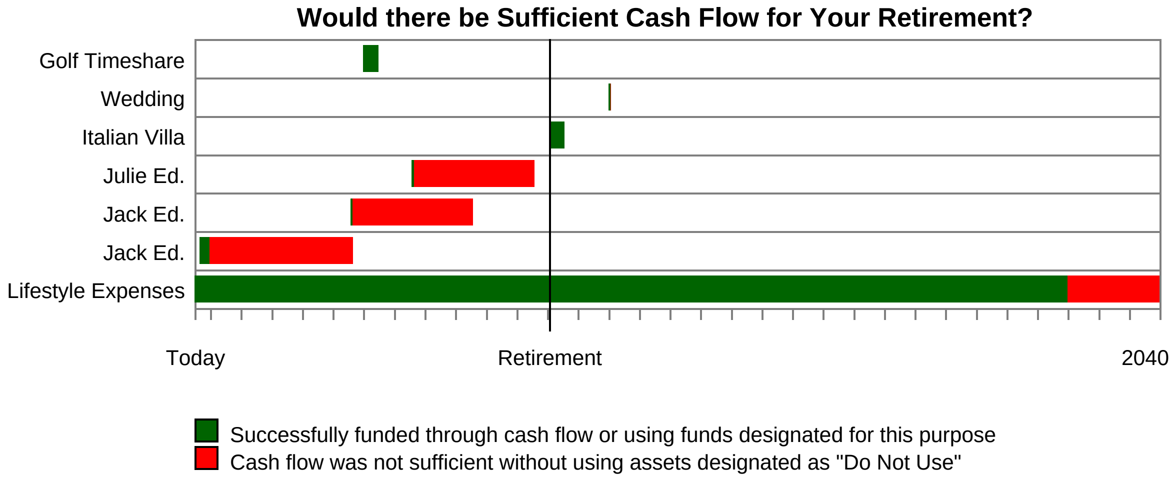
Note: A cash flow failure occurred in January of 2016 with assets designated as "Do Not Use" equal to £1,157,640.

Putting Your Retirement First

If your financial objectives were changed to include only basic lifestyle expenses—in other words, no specific needs, future purchases, or additional education funding, would these changes allow you to maintain your lifestyle longer?

Alternative Cash Flow Objective

- Pay all lifestyle expenses
- Use only assets designated for education to fund education needs
- Under no circumstance use assets designated "Do Not Use" for cash flow



Changing objectives extended the time before you had a cash flow failure.

Consider:

Shortfall occurred in January of 2038.	
The value of the shortfall today invested at 6%:	£32,033
Value of additional education funds needed today:	£118,339
The value today of additional funds required for your specific needs:	£10,232

Note: A cash flow failure occurred in January of 2038 with assets designated as "Do Not Use" equal to £1,351,923.

Effects of Uncertainties—Premature Death of Keith

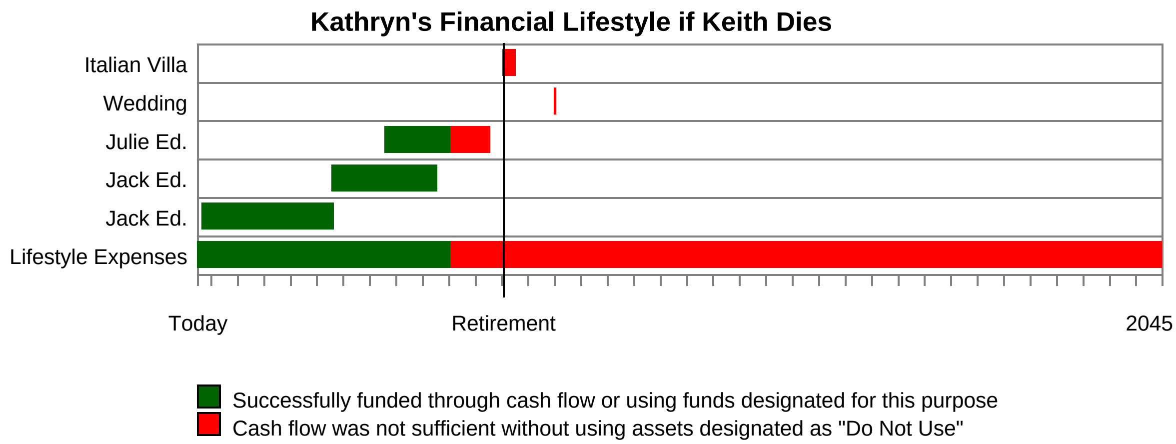
Premature death can have dramatic effects that are difficult to even imagine. However, proper financial planning involves carefully considering the possibility of premature death and its effects on your finances.

In order to analyse the lifestyle of the survivor in the event of a premature death, this portion of the analysis assumes that Keith dies tomorrow, and that Kathryn survives to the end of the illustration.

Cash Flow Objective

- Pay all lifestyle expenses and outgoing payments
- After applying education funds, pay any remaining education costs
- Fund all specific needs as they arise
- Make future purchases on the designated dates
- Make payments on all loans
- Under no circumstances use assets designated "Do Not Use" for cash flow

Will you maintain your lifestyle?



It appears your cash flow would be insufficient following Keith's premature death. This is due in part to your education and specific needs.

Consider:

Shortfall occurred in February of 2019.
The value of the shortfall today invested at 6%: £116,878
You need to reduce your monthly outgoing payments by 7% beginning today.

Note: A cash flow failure occurred in February of 2019 with assets designated as "Do Not Use" equal to £1,191,362.

Effects of Uncertainties—Premature Death of Kathryn

If the situation were reversed, would Keith have sufficient cash flow if Kathryn died?

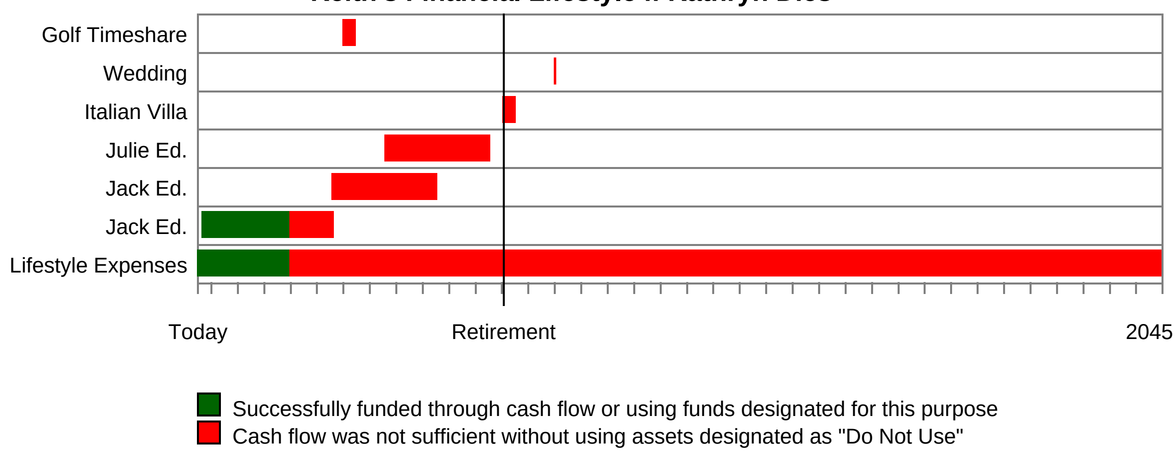
In order to analyse the lifestyle of the survivor in the event of a premature death, this portion of the analysis assumes that Kathryn dies tomorrow, and that Keith survives to the end of the illustration.

Cash Flow Objective

- Pay all lifestyle expenses and outgoing payments
- After applying education funds, pay any remaining education costs
- Fund all specific needs as they arise
- Make future purchases on the designated dates
- Make payments on all loans
- Under no circumstances use assets designated "Do Not Use" for cash flow

Will you maintain your lifestyle?

Keith's Financial Lifestyle if Kathryn Dies



It appears your cash flow would be insufficient following Kathryn's premature death. This is due in part to your education and specific needs.

Consider:

Shortfall occurred in January of 2013.
The value of the shortfall today invested at 6%: £190,381
You need to reduce your monthly outgoing payments by 9% beginning today.

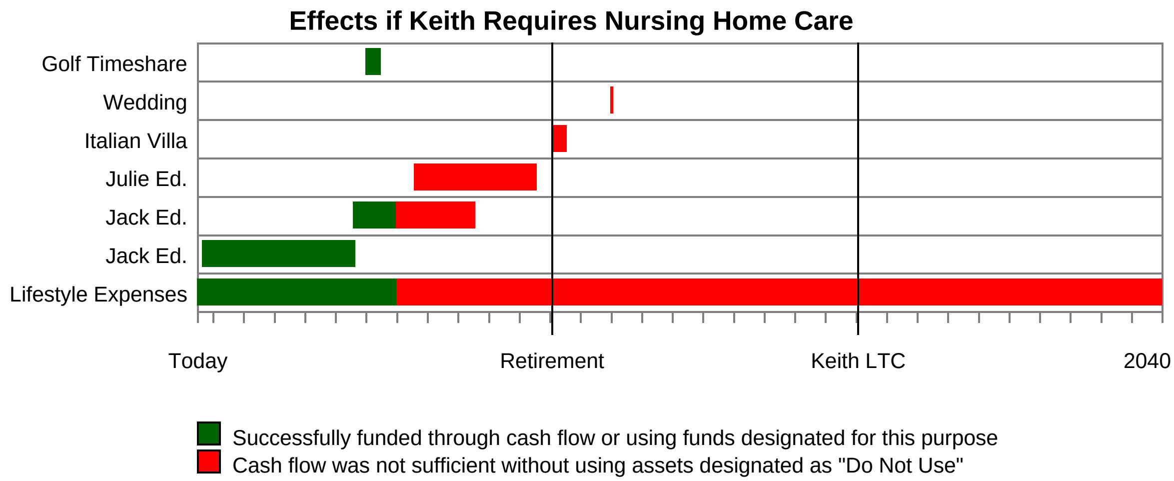
Note: A cash flow failure occurred in January of 2013 with assets designated as "Do Not Use" equal to £963,651.

Retirement Uncertainties—Effects If Keith Requires Long-Term Care

Long-term care, whether it be nursing home care or home health care, depletes your accumulations of wealth.

- Very high costs
- Not covered by regular health insurance
- Uses the assets meant for retirement

This illustration assumes that Keith has a nursing home stay starting at age 70 ending after 3 years.



Unfortunately you have a more immediate problem—you have a cash flow failure prior to your assumed long-term care need!

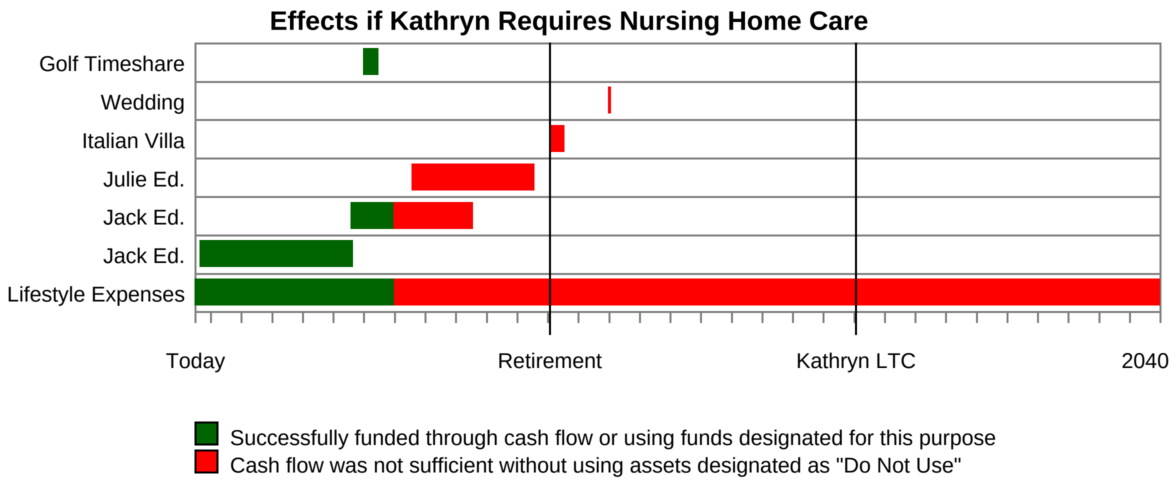
Consider:

- Reducing your living expenses
- Reconsider uses of assets you designated as "Do Not Use"
- Reexamine your major cash flow needs: could they be reduced or delayed?

Note: A cash flow failure occurred in January of 2016 with assets designated as "Do Not Use" equal to £1,157,640.

Retirement Uncertainties—Effects If Kathryn Requires Long-Term Care

This illustration assumes that Kathryn has a nursing home stay starting at age 70 ending after 3 years.



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Consider:

- Reducing your living expenses
- Reconsider uses of assets you designated as "Do Not Use"
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Note: A cash flow failure occurred in January of 2016 with assets designated as "Do Not Use" equal to £1,157,640.

Special Funding—Education Costs

Education costs have been rising at 6.3%, or more than twice the rate of inflation.[1] Putting one child through private school and funding three years of university is likely to cost around £150,000—as much as buying the average UK house.[2]

The annual education cost estimates shown here are expressed in today's money. Education costs consider an education inflation rate of 6%.

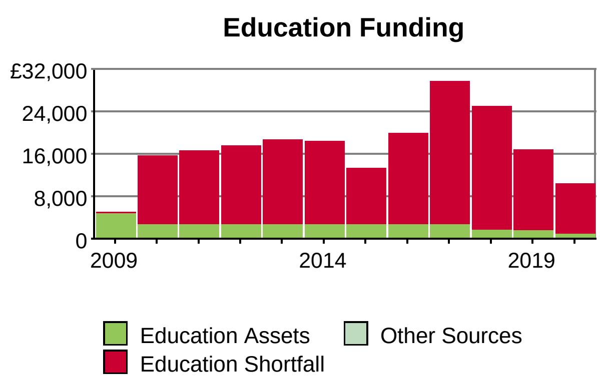
Education Funding

Assets indicated as available for education total £2,660.

Education Assets	Current Value
University Funding ISA	£2,100
School Funding ISA	£560

Education Needs

Education For	Annual Education Cost (Today's Money)[3]	Portion Funded from Other Sources[4]	Start in Year	For Years	Additional Funds Needed Today[5]	Additional Monthly Savings Required[5]	Time Monthly Savings Required
Jack	£9,500	0%	2014	4	£29,050	£546	5 yrs.2 mo.
Julie	£9,500	0%	2016	4	£33,623	£482	7 yrs.2 mo.
Jack	£15,000	0%	2009	5	£55,666	£18,741	3 mo.
Total					**£118,339**	**£19,769**	



How will you pay for education?

- Hope for scholarships
- Use student loans
- Pay as you go
- Begin a saving and investment strategy today

[1] Independent Schools Information Council
[2] Financial Mail. March 2005
[3] Annual costs are assumed paid in 12 monthly payments.
[4] Other sources may include scholarships, grants, student loans, or student work.
[5] Values assume that interest is earned at the rate of 6% each year until needed.

Investment Profiles & Asset Allocation

Your investment portfolio must be viewed from several perspectives:

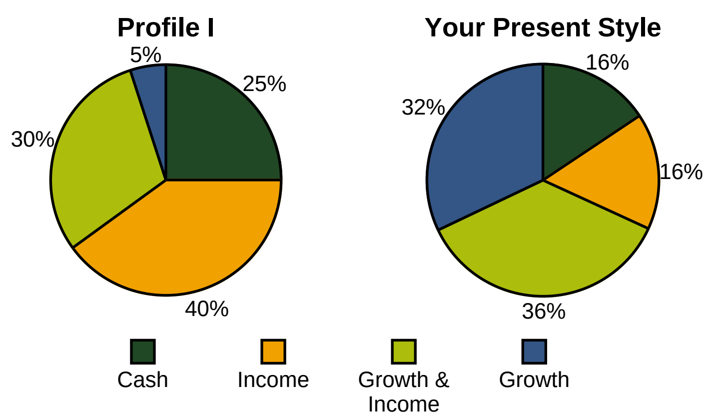
- **Asset Allocation**
  What you have based on investment categories
- **Investment Style**
  How your investments work based on cash, income and growth
- **Volatility Class**
  What is expected based on the relationship of risk and return for similar investments in the past

Investment Profiles

Often it is helpful to compare your investment portfolio with the portfolios of people with similar risk tolerances, investment objectives, and time frames. These typical portfolios are referred to as investment profiles. Your profile should reflect your objectives, your risk tolerance, and your time horizon. Profile I has been selected based on your desires and similarities with typical investors in that profile.

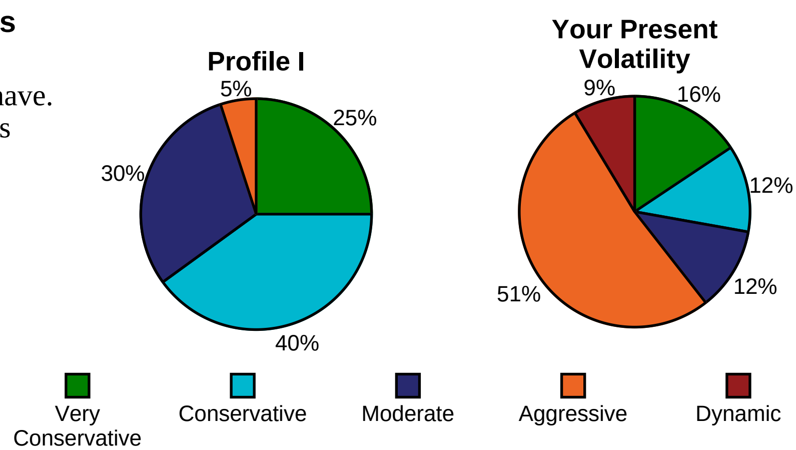
Investments By Investment Style

Profile I is the typical investment style of people who are risk averse and have time restrictions. Cash assets are maintained for emergencies. Emphasis is on income, not growth.



Investments By Volatility Class

People in Profile I are risk averse. Emphasis is on keeping what they have. Often, they have short time horizons and could not recover easily from losses.



Allocation of your assets should consider not just what you have (investment category), but its cash flow (investment style) and its risks and returns (volatility).

Analysing Your Debt

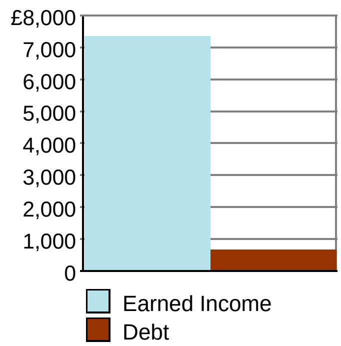
The effective use of debt can enhance your financial plans. Debt management starts with examining your existing debt. You should examine each individual debt as well as your total, overall debt. Total debt is often analysed by comparing earned income to debt payments.

Debt

Existing

Name	Balance	Date of Balance	Interest Rate	Payment	Frequency	Maximum Credit
Loan for Family Home	£93,000	06 Jun., 2006	5.200%	£642	Monthly	n/a
Total	**£93,000**			**£642**	**Initial Monthly[1] Amount**	

Monthly Earned Income vs. Monthly Debt Payment



Finding the Right Ratio of Debt and Income

Total Monthly[2] Debt Payments	£642
Total Monthly[2] Earned Income	£7,440
Debt-to-Earned Income Ratio	**8.63%**

The lower your debt-to-earned income ratio, the better your financial flexibility. A debt-to-earned income ratio of 20% or below is considered average. Depending on your particular circumstances, a ratio of 20% or higher may be a sign that your credit is out of control. The consequences of a debt-to-earned income ratio above 20% include difficulty in obtaining future loans and lower credit ratings. You may also be unable to qualify for the best rates and terms. Earned income only includes salary. You have indicated that through the end of 2009, you would receive other income of £4,550.

Debt can help or hinder your financial success.

[1] Existing debt payments and earned income are expressed on a monthly basis for the debt-to-income ratio analysis. Amounts that are entered on a frequency other than monthly are adjusted for comparative purposes only.
[2] Values Based on a solution growth rate of 6%.

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Confirmation of Facts

The right plan must start with the right facts.

A financial plan must be dynamic; that is, able to change as quickly as your situation changes. Your plan is based on your facts and assumptions. You should be sure that all of the assumptions and facts listed here correctly reflect your situation and desires.

Your Facts

Keith Patterson

Age: 48 **Male** **Born:** 23 Jan., 1961

Email Address: keithkath@aol.com

Do not use Email for Notifications

Kathryn Patterson

Age: 48 **Female** **Born:** 23 Jan., 1961

Email Address: keithkath@aol.com

Do not use Email for Notifications

Keith and Kathryn are married.

Home Phone: 0208 233 8967

Business Phone: 0870 455 644

Mailing Address

312 Great Charles Street
London, 0, WC2 3AJ

Children and Dependents

Name	Date of Birth	Gender	Relationship	Dependent of
Jack	02 Feb., 1996	Male	Child	Keith, Kathryn
Julie	14 Aug., 1998	Female	Child	Keith, Kathryn

Salaries

Employer	Employee	Current Salary	Frequency	Inflation Rate
GLC Development Board	Keith	£5,540	Monthly	3.000%
Kathryn's Part Time Editor Work	Kathryn	£1,900	Monthly	3.000%

Current Bank Accounts, Savings, Deposit

Account Name	Owner	Current Balance	Balance As Of	Interest Rate	
Current Account	Keith, Kathryn	£2,670	06 Jun., 2006	0.000%	This asset is the Cash Account
Kathryn Bank Account	Kathryn	£1,200	06 Jun., 2006	0.500%	
Deposit Account	Keith, Kathryn	£12,900	06 Jun., 2006	4.750%	

Tax-Efficient Investments

Account Name	Owner	Current Balance	Balance As Of	Interest Rate
University Funding ISA	Keith	£2,100	06 Jun., 2006	6.000%
School Funding ISA	Keith	£560	06 Jun., 2006	6.000%
National Savings	Kathryn	£4,908	06 Jun., 2006	6.000%

Investment

Account Name	Owner	Current Balance	Balance As Of	Interest Rate
Other Investment	Keith	£26,420	06 Jun., 2006	2.000%

Your Facts (Continued)

Investment Trust

Name/Symbol	Owner	Current Value	Balance As Of	Basis	Rates: Div. Rate	Rates: App. Rate
ABC Investment Trust	Keith	£6,429	06 Jun., 2006	£0	1.000%[1]	5.000%
XYZ Investment Trust	Keith	£9,279	06 Jun., 2006	£0	1.400%[1]	5.700%
Unit Trust / OEICs	Keith, Kathryn	£15,000	20 Jun., 2006	£10,000	1.000%[1]	6.000%

Stocks

Name/ Symbol	Owner	Current Value	Balance As Of	Basis	Rates: Div. Rate	Rates: App. Rate
BRITISH AIRWAYS PLC (BAB)	Keith, Kathryn	£5,150	02 Mar., 2006	£2,345	0.000%[1]	4.300%

Investment Bonds

Name/Symbol	Owner	Market Value	Balance As Of	Face Amount	Growth Rate
ABC Bond	Keith, Kathryn	£4,320	06 Jun., 2006	£3,500	4.500%
ACME Bond	Keith, Kathryn	£1,320	06 Jun., 2006	£500	5.400%

Bonds

Name/ Symbol	Owner	Market Value	Face Amount	Coupon Interest	Frequency	Maturity Date
Government Bonds	Keith	£6,260	£5,500	4.500%	Semiannual	04 Feb., 2012

Retirement Plans

Name	Owner	Current Balance	Balance As Of	Growth Rate	Owner Contrib.	Employer Contrib.
Kathryn PPP	Kathryn	£900	06 Jun., 2006	6.000%	£100	£0
GLC Dev. Money Purchase	Keith	£7,800	06 Jun., 2006	6.500%	£250	£250

Final Salary Scheme

Name	Owner	Benefit	Lump Sum	Death In Service Lump Sum	Inflation Rate	Start
Final Salary	Keith	£0	£55,000	£35,000	0.000%	Starting when Keith retires

Rental Property

Buy to Let

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Keith	£350,000	12 Mar., 2007	£150,000	5.000%

Rental Income	Frequency	Monthly Expenses	Annual Expenses	Rental Inflation
£650	Monthly	n/a	n/a	3.00%

[1] Dividends are assumed to be reinvested in similar investments.

Your Facts (Continued)

Residences

Family Home

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Keith, Kathryn	£345,000	06 Jun., 2006	£225,000	3.000%

Personal Loan Secured by this Asset

Balance as of	Mortgage Balance	Payment	Frequency	Interest Rate
06 Jun., 2006	£93,000	£642	Monthly	5.200%

Life Insurance-Individual

Name	Insured	Owner	Beneficiary	Face Amount	Premium	Frequency	Cash Value
Mortgage Protection Policy	Keith	Keith	Kathryn	£100,000	£32	Monthly	£0
ABC Term	Keith	Keith	Kathryn	£150,000	£45	Monthly	£0
XYZ Endowment	Keith	Keith	Kathryn	£25,000	£46	Monthly	£0

Disability Insurance-Individual

Name	Insured	Owner	Monthly Benefit	Waiting Period	Benefit Period	Premium	Frequency
ABC PHI	Keith	Keith	£1,500	180 Days	Age 65	£65	Monthly

Long-Term Care Insurance-Individual

Name	Insured	Daily Benefit	Daily Home Care	Waiting Period	Benefit Period	Premium	Frequency
IABC LTC Policy	Keith	£355	£0	90 Days	Lifetime	£65	Monthly

Essential Living Expenses

Description	Amount	Frequency	Percent Continuing after First Death	Percent Continuing after First Disability	Percent Continuing after First Retirement
Joint General Living Expenses	£3,750	Monthly	100%	70%	70%
Keith's Final Expenses	£5,000	Monthly	100%	100%	100%
Kathryn's Final Expenses	£5,000	Monthly	100%	100%	100%
Annual Holiday	£3,500	Annual	70%	100%	0%
Retirement Living Expenses	£3,500	Monthly	50%	70%	100%

Specific Need Expenses

Description	Amount	Frequency
Wedding	£15,000	Monthly

Education Expenses

Description	Amount	Frequency	Percent of Estimated Aid
University	£9,500	Annual	0%
University	£9,500	Annual	0%
Public School	£15,000	Annual	0%

Debt

Liability Name	Owner	Current Balance	Balance As Of	Interest Rate
Loan for Family Home	Keith, Kathryn	£93,000	06 Jun., 2006	5.200%

CONFIRMATION OF FACTS

Your Facts (Continued)

Future Purchase

Description	Future Owners	Anticipated Cost	Inflation	Start
Golf Timeshare	Keith	£25,000	3.000%	Starting on Jan 01, 2015
Italian Villa	Keith, Kathryn	£165,000	3.000%	Starting when Keith retires

Distribute Income to Specific Assets

Description	From	To	Amount	Apply Inflation
University ISA Contributions *Already started and ending when Jack turns 22.*	GLC Development Board	University Funding ISA	£100	no
School Funding ISA *Already started and ending when Julie turns 23.*	Kathryn's Part Time Editor Work	School Funding ISA	£120	no
Final Salary to Deposit *Already started and ending after the illustration.*	Final Salary	Deposit Account	100%	n/a

Pay Expenses

Description	From	To	Amount	Apply Inflation
Additional Loan Repayment *Already started and ending after 12 years.*	XYZ Investment Trust	Loan for Family Home	£250	yes

Reposition Assets

Description	From	To	Frequency	Amount	Apply Inflation
ABC Bond *Starting when the first client retires and ending after a one time occurrence.*	ABC Bond	Deposit Account	Monthly	100%	n/a
ABC Term *Already started and ending after the illustration.*	ABC Term	Deposit Account	Monthly	100%	n/a
Mortgage Protection *Already started and ending after the illustration.*	Mortgage Protection Policy	Deposit Account	Monthly	100%	n/a
ACME Bond *Starting when both clients retire.*	ACME Bond	Deposit Account	n/a	n/a	n/a
Sell Buy to Let *Starting when Keith retires.*	Buy to Let	Deposit Account	n/a	n/a	n/a

3

Financial Statements

What is your financial situation today? If everything goes as planned, what will it be like in a few years?

Estimated balance sheets and other financial reports are included in this section.

Your Current Situation—Balance Sheet View

	Keith	Kathryn	Joint	Total
Assets				
Liquid Assets				
Current Account			£2,670	£2,670
Kathryn Bank Account		£1,200		£1,200
Deposit Account			£12,900	£12,900
BRITISH AIRWAYS PLC			£5,150	£5,150
Other Investment	£26,420			£26,420
University Funding ISA	£2,100			£2,100
School Funding ISA	£560			£560
National Savings		£4,908		£4,908
ABC Investment Trust	£6,429			£6,429
XYZ Investment Trust	£9,279			£9,279
Unit Trust / OEICs			£15,000	£15,000
ABC Bond			£4,320	£4,320
ACME Bond			£1,320	£1,320
Retirement Plans				
Kathryn PPP		£900		£900
GLC Dev. Money Purchase	£7,800			£7,800
Fixed Assets				
Government Bonds	£6,260			£6,260
Buy to Let	£350,000			£350,000
Residence				
Family Home			£345,000	£345,000
Total Assets Today	**£408,848**	**£7,008**	**£386,360**	**£802,216**

Liabilities

	Keith	Kathryn	Joint	Total
Mortgages				
Loan for Family Home			£93,000	£93,000
Total Liabilities Today			**£93,000**	**£93,000**

Net Worth

Your Assets	£802,216
Less Your Liabilities	£93,000
Total Net Worth Today	**£709,216**

Balance Sheet

Values at End of Year

	2009	2010	2011	2012	2013
Assets					
Liquid Assets					
Current Account	£1,000	£0	£0	£0	£0
Kathryn Bank Account	£1,221	£1,227	£0	£0	£0
Deposit Account	£13,108	£4,078	£0	£0	£0
BRITISH AIRWAYS PLC	£6,031	£6,290	£6,561	£6,843	£7,137
Other Investment	£32,496	£34,475	£36,576	£38,804	£30,629
University Funding ISA	£0	£0	£0	£0	£0
School Funding ISA	£0	£0	£0	£0	£0
National Savings	£6,018	£6,379	£6,762	£5,308	£0
ABC Investment Trust	£7,747	£8,171	£8,619	£9,090	£9,588
XYZ Investment Trust	£9,384	£6,818	£4,113	£1,262	£0
Unit Trust / OEICs	£18,357	£19,448	£11,221	£0	£0
ABC Bond	£4,899	£5,078	£5,264	£5,457	£5,657
ACME Bond	£1,535	£1,603	£1,673	£1,747	£1,824
Retirement Plans					
Kathryn PPP	£1,941	£3,614	£5,411	£7,339	£9,406
GLC Dev. Money Purchase	£13,360	£21,014	£29,077	£37,568	£46,512
Fixed Assets					
Government Bonds	£5,583	£5,557	£5,529	£0	£0
Buy to Let	£400,257	£420,270	£441,283	£463,347	£486,515
Residence					
Family Home	£382,604	£394,082	£405,904	£418,082	£430,624
Totals	£905,542	£938,106	£967,993	£994,847	£1,027,891
Liabilities					
Mortgages					
Loan for Family Home	£80,244	£73,554	£66,509	£59,088	£53,015
Totals	£80,244	£73,554	£66,509	£59,088	£53,015
Net Worth	**£825,299**	**£864,551**	**£901,484**	**£935,759**	**£974,876**

4

Cash Flow Analysis—Funding Your Lifestyle

This analysis of the cash flow process illustrates your needs between now and retirement.

In order to help you clearly see both the opportunities and obstacles within your current financial situation, this section of the analysis of your cash flow answers the following questions:

- What does "maintaining your lifestyle" mean?
- How does your cash flow process work?
- What incoming cash can you expect to receive?
- What outgoing payments can you expect?
- How will your cash flow handle unexpected payments and fluctuations?
- How will your cash flow affect your assets?
- How will your net worth (the result of your cash flow) change?

Funding Your Lifestyle

This cash flow analysis examines all of the financial items that are part of your lifestyle. It simulates your typical spending and saving habits in order to determine (*a*) how you would meet your financial obligations and (*b*) what you would have left over for savings or investment.

Maintaining Your Lifestyle

In financial terms, *maintaining your lifestyle* means being able to meet your expected outgoing payments so that you can live in the manner to which you are accustomed. Expenses typically increase with the general cost of living or inflation.

Cash Flow Analysis

Examining your cash flow on a detailed monthly basis helps answer two essential questions: One, will I have enough money? And, two, if there is a problem, how severe is the shortfall?

While it's not a likely scenario, this section of your analysis assumes that everything goes as planned, which is helpful in evaluating your present situation. This section assumes that both of you live until retirement.

The following payments are necessary for you to maintain your lifestyle:

- Basic lifestyle expenses
- Wedding for Julie valued at £15,000 Monthly (Starting on Jan 01, 2023 and ending after a one time occurrence)
- Golf Timeshare for Keith costing £25,000 (value today) (starting on Jan 01, 2015)
- Italian Villa for Keith and Kathryn costing £165,000 (value today) (starting when Keith retires)
- Education for Jack
- Education for Julie
- Education for Jack
- Make payments on all loans

Assumptions

You have defined retirement as the date when Keith reaches age 60.

General inflation rate for analysis: 3%.

Some assets are essential for your lifestyle. Successfully maintaining your lifestyle means not using any portion of the assets you designated as "Do Not Use" when defining your priorities.

- Family Home
- Golf Timeshare
- Buy to Let
- Italian Villa

Your Cash Flow Process

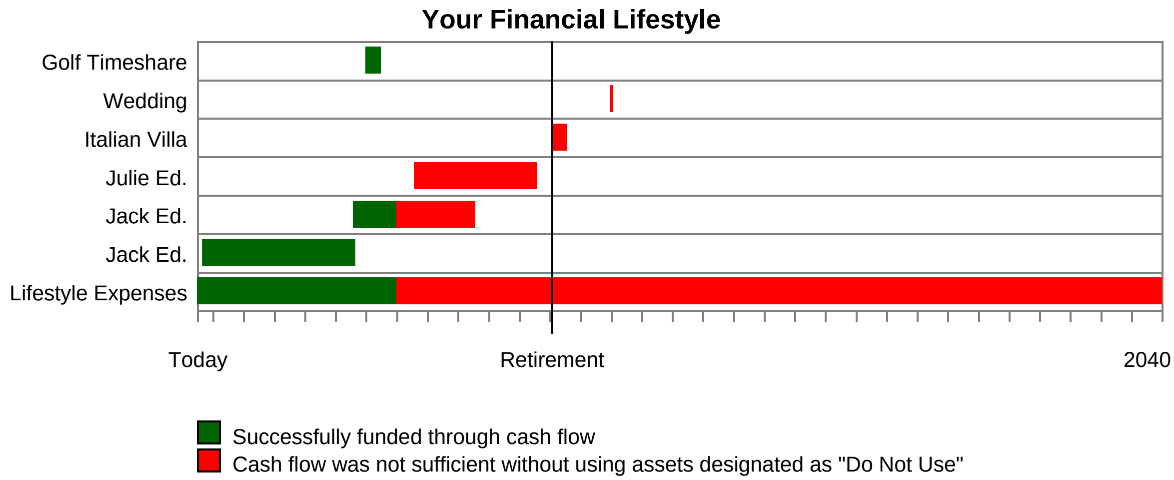
Cash flow is a simple, monthly process. You receive money from outside sources and deposit that money into your bank account. You use that account to pay your expenses and cover your lifestyle expenses. What you do not spend you save, invest, or use to purchase other assets. If your expenses exceed your income one month, you take some money out of the savings, sell an asset, or borrow the funds to pay the expenses. Cash flow analysis is the detailed study of this monthly process.

Your monthly cash flow process involves the following steps:

- Determine your expected incoming cash
- Determine your expected outgoing payments
- Compare incoming and outgoing cash: if outgoing payments exceed incoming cash, use an asset or borrow money to cover the shortage
- Adjust asset values as necessary

Discretionary Spending

Some of your expenditures fluctuate based on the funds available to you. When your incoming cash exceeds your outgoing payments, a portion of the excess cash may be used for discretionary spending. Cash flow analysis helps you identify and understand your discretionary spending, which can improve your financial situation.



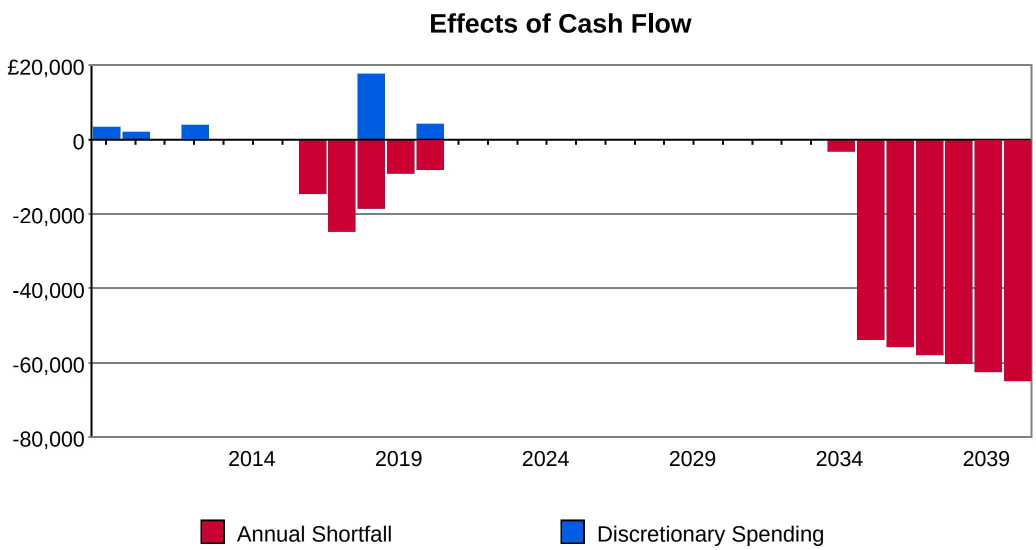
A cash flow failure occurred in January of 2016 with assets designated as "Do Not Use" equal to £1,157,640.

Your cash flow is insufficient. The value of the shortfall today invested at 6% is £113,632.

Evaluating Shortfall

The cash flow process determined that your plan was likely to experience a cash flow failure in year 2016. This analysis can help you determine the severity of the failure and identify the solutions best suited for you.

- **Annual Shortfall**
  Annual shortfall is the portion of expenses that cannot be covered without using assets designated as "Do Not Use." Shortfalls are shown as negative values.
- **Discretionary Spending**
  After all outgoing payments have been met each month, discretionary spending is the portion of the money left over that is used for unspecified expenses. Adjusting these amounts may reduce the annual shortfalls.
- **"Do Not Use" Assets**
  The value of assets you designated as "Do Not Use" was £1,157,640 in the year of the initial cash flow failure. You may want to re-consider the use of some of these assets.
- **"Red" Numbers**
  All values after the initial cash flow failure are printed in red to indicate these values are only possible if the shortfall amounts were provided.



What adjustments should you make to your financial lifestyle?

Note: Cash flow is calculated monthly with the net values for the year shown; therefore, discretionary spending may occur one month and an income shortage occur in another month all in the same calendar year.

Assets Used for Cash Flow

Priority and Sources of Funds

You have indicated your priorities and desired uses of certain assets. If there is not sufficient cash flow to pay your outgoing payments during a particular month, then these assets will be considered in the order shown below.

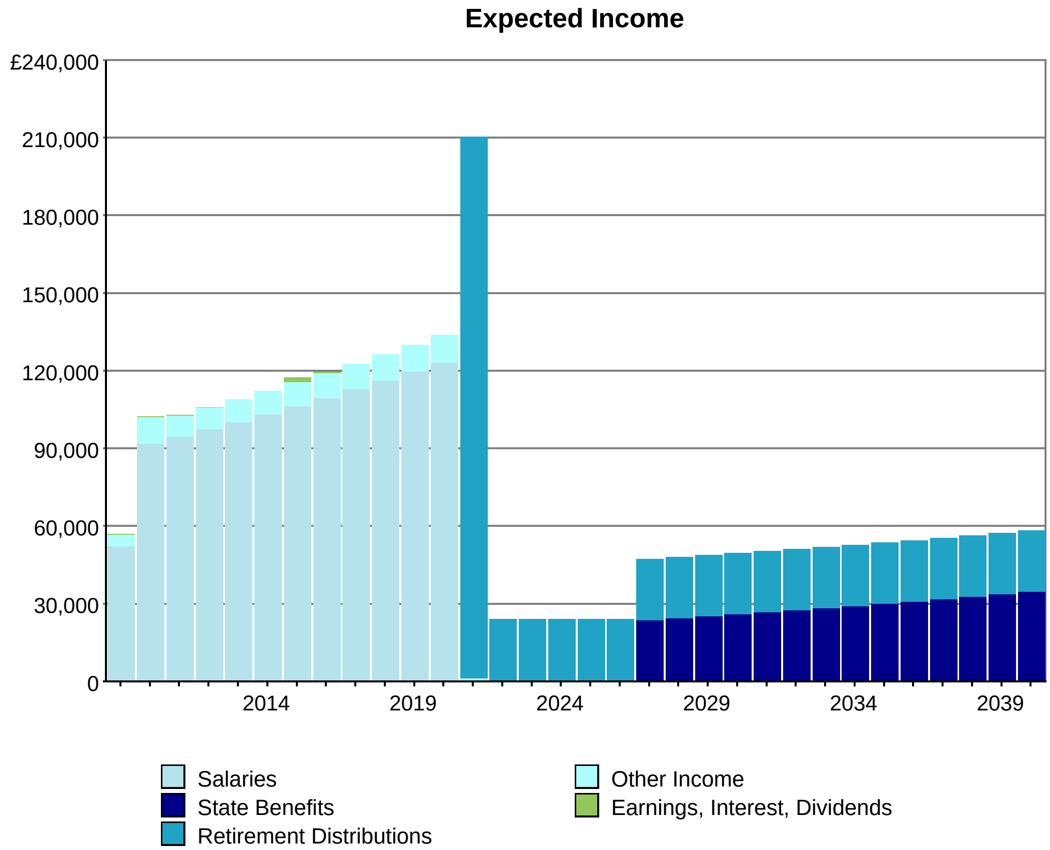
The use of some assets would cause a significant change in your lifestyle: such assets are marked "Do Not Use" or the desired use is indicated

Asset	Limit Uses to
Current Account	Unrestricted
Deposit Account	Unrestricted
Kathryn Bank Account	Unrestricted
Unit Trust / OEICs	Unrestricted
National Savings	Unrestricted
Other Investment	Unrestricted
ABC Investment Trust	Unrestricted
XYZ Investment Trust	Unrestricted
BRITISH AIRWAYS PLC	Unrestricted
ABC Bond	Unrestricted
ACME Bond	Unrestricted
Government Bonds	Unrestricted
Family Home	Do Not Use
Buy to Let	Do Not Use
University Funding ISA	Education
School Funding ISA	Education
Kathryn PPP	Retirement
GLC Dev. Money Purchase	Retirement
Golf Timeshare	Do Not Use
Italian Villa	Do Not Use

Value of Assets

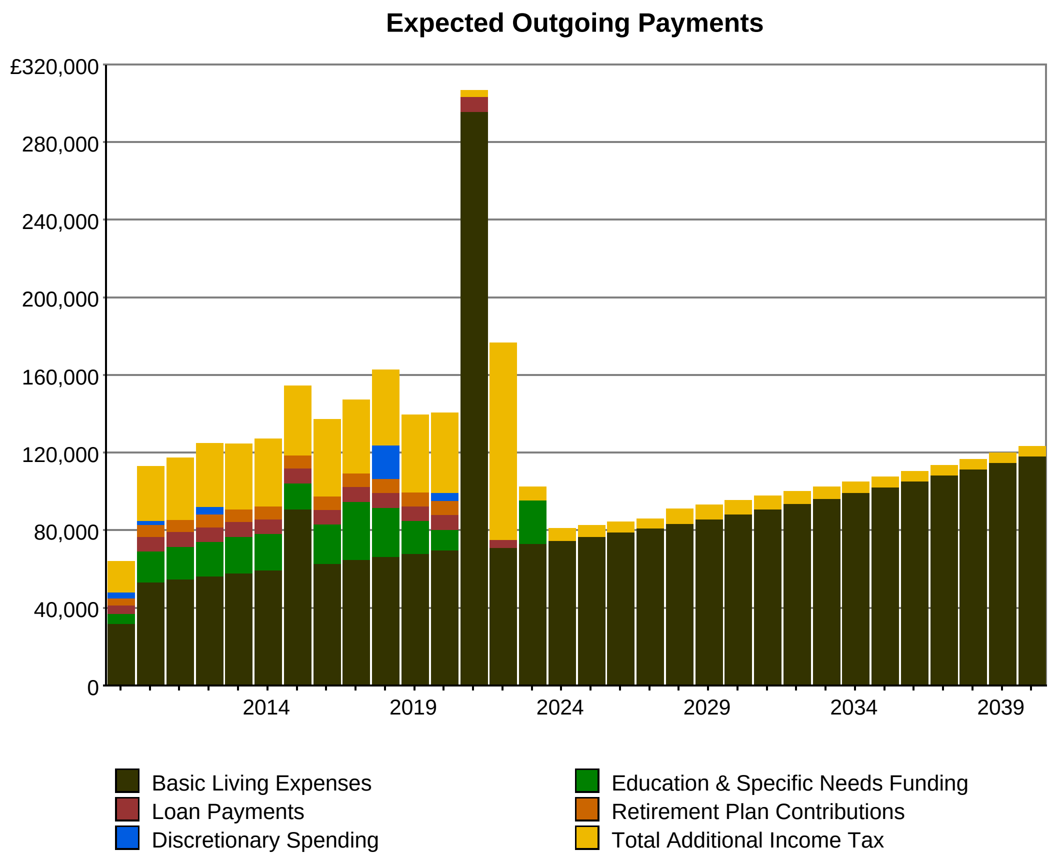
The cumulative effects of your cash flow change the value of your assets. The effects of cash flow include the addition of new assets or savings, the use of all or a portion of some assets to pay expenses, and appreciation or changes in the value of your assets.

Incoming Cash Expected



A cash flow failure occurred in January of 2016 with assets designated as "Do Not Use" equal to £1,157,640. The illustration assumes everything goes as anticipated. It does not reflect *(a)* liquidations or unplanned withdrawals from your assets or *(b)* new loan proceeds that may be necessary during any month that expenses exceed income.

Expected Outgoing Payments

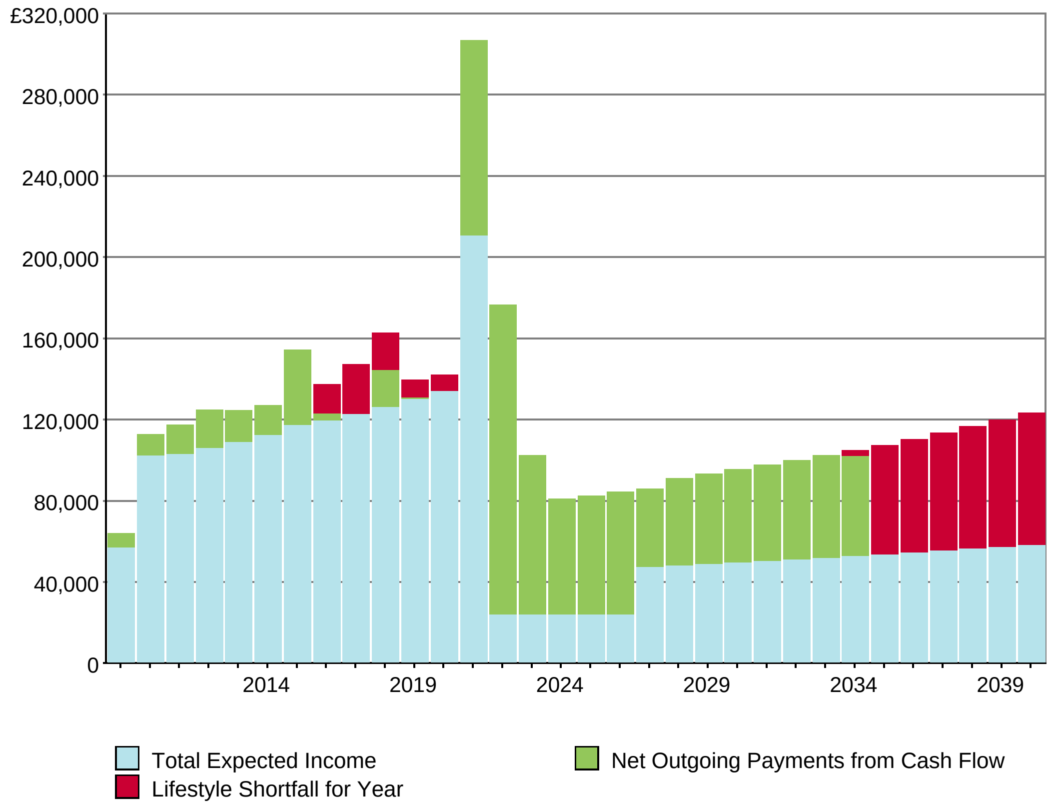


A cash flow failure occurred in January of 2016 with assets designated as "Do Not Use" equal to £1,157,640. Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.

Will Cash Flow Provide Needed Outgoing Payments?

By combining the information from the previous graphs, it is easy to see how your cash flow process works. Expected income is shown on top of the total outgoing payments. Any portion of payments remaining is paid by the cash flow process—using assets you have designated. When the cash flow process cannot provide the needed payments without using assets you designated as “Do Not Use,” then you have failure with the needed amount shown as a shortfall.

Summary of Cash Flow Process



Expected Income——the sum of all income items before the cash flow process is applied to use any assets or new loans to meet outgoing payments

Outgoing Payments from Cash Flow Process—the portion of outgoing payments that were required to be paid from using various assets or new loans

Shortfall—the amount needed in a year to pay all desired outgoing payments to maintain your lifestyle, but without using any assets you designated as “Do Not Use”

Cash Flow & Net Worth

Cash Flow & Net Worth

Year	Expected Income	Total Outgoing Payments	Net Paid from Cash Flow Process[1]	End of Year Assets[2]	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2009	£56,878	£63,900	£7,023	£905,542	£80,244	---	£825,299
2010	102,608	113,117	10,509	938,106	73,554	---	864,551
2011	103,240	117,775	14,535	967,993	66,509	---	901,484
2012	106,206	125,072	18,867	994,847	59,088	---	935,759
2013	109,264	124,946	15,681	1,027,891	53,015	---	974,876
2014	112,542	127,380	14,838	1,064,410	47,948	---	1,016,462
2015	117,669	155,030	37,362	1,107,321	42,612	---	1,064,710
2016	119,896	137,709	3,311	1,157,640	36,991	14,502	1,106,147[3]
2017	122,978	147,655	0	1,214,251	31,070	39,179	1,144,002
2018	126,667	163,205	18,102	1,274,123	24,835	57,614	1,191,674
2019	130,467	140,029	648	1,335,437	18,267	66,528	1,250,641
2020	134,381	140,818	0	1,401,872	11,350	74,565	1,315,958
R 2021	211,347	308,109	96,762	1,441,638	4,064	74,565	1,363,009
2022	23,759	177,190	153,431	1,336,730	0	74,565	1,262,165
2023	23,759	102,680	78,921	1,304,086	0	74,565	1,229,521
2024	23,759	81,147	57,388	1,291,908	0	74,565	1,217,343
2025	23,759	82,686	58,927	1,277,088	0	74,565	1,202,523
2026	23,759	84,503	60,744	1,259,198	0	74,565	1,184,633
2027	47,252	86,126	38,873	1,262,281	0	74,565	1,187,716
2028	47,957	91,094	43,137	1,260,563	0	74,565	1,185,998
2029	48,683	93,311	44,627	1,256,694	0	74,565	1,182,129
2030	49,431	95,572	46,141	1,250,528	0	74,565	1,175,963
2031	50,201	97,881	47,680	1,241,914	0	74,565	1,167,349
2032	50,994	100,239	49,245	1,230,689	0	74,565	1,156,124
2033	51,811	102,645	50,834	1,216,685	0	74,565	1,142,120
2034	52,653	105,102	49,488	1,202,683	0	77,525	1,125,158
2035	53,520	107,608	0	1,238,365	0	131,614	1,106,751
2036	54,413	110,505	0	1,275,110	0	187,706	1,087,404
2037	55,332	113,662	0	1,312,952	0	246,036	1,066,916
2038	56,279	116,914	0	1,351,923	0	306,671	1,045,252
2039	57,255	120,263	0	1,392,057	0	369,679	1,022,378
2040	58,260	123,713	0	1,433,389	0	435,132	998,257

A cash flow failure occurred in January of 2016 with assets designated as "Do Not Use" equal to £1,157,640.

Cash Flow Affects the Value of Assets

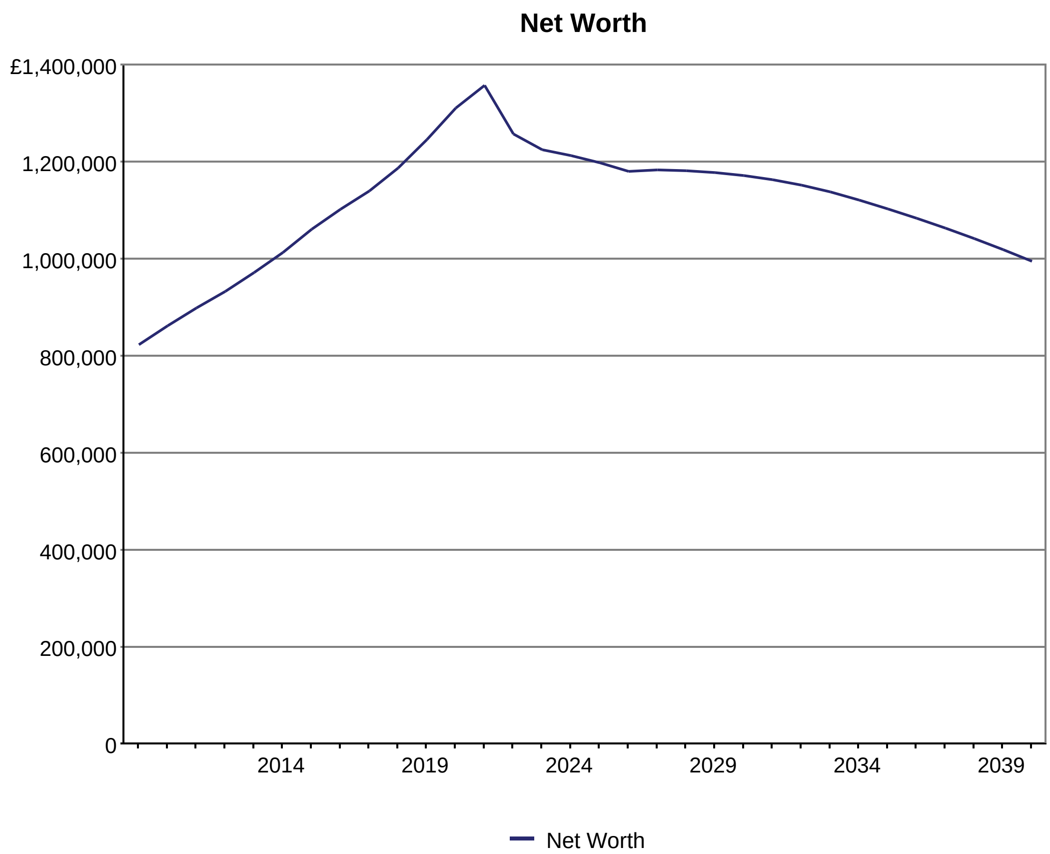
When Outgoing Payments exceed the Expected Income, existing assets must be used. If Expected Income exceeds Outgoing Payments then the surplus creates additional assets. These cash flow transactions are reflected in your assets. Net Worth is the difference in Assets and Liabilities.

1 Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
2 Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.
3 Cash Flow Failure-Incoming cash flow plus any available assets remaining were insufficient to pay outgoing payments. Any assets remaining are those assets that you marked "Do Not Use".
R-Retirement assumed to begin in this year.

Net Worth

Net Worth Equals Assets Less Liabilities

- Net worth reflects the ongoing cash flow process
- Examining cash flow focuses on the monthly finances
- Examining net worth focuses on the long-term overall effects



A cash flow failure occurred in January of 2016 with assets designated as "Do Not Use" equal to £1,157,640.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is £113,632. This is the equivalent of reducing your spending by £1,728 every month. The following options may help you optimize your cash flow:

Reduce Expenses

- Determine whether you can comfortably reduce your expenses by reexamining each individual expense
- Consider reducing your discretionary spending and increasing your savings
- Are you claiming all the tax allowances to which you are entitled? Invest in one of the many inexpensive tax guides at your local book shop before you complete your next tax return.

Refinance Loans

- You may reduce your monthly expenses by (*a*) refinancing a loan to obtain a lower rate or (*b*) extending the terms of a loan
- Consider the fees and any points associated with individual loans when comparing payments

Pay Off Loans

- Reduce your monthly expenses by selling a slow growing asset and using the proceeds to pay off your loans

Downsize

- Sell your current home and buy a home or apartment of lesser value
- Reduce or eliminate your mortgage payment
- Reduce other monthly expenses, such as home maintenance, insurance, and property taxes

Change Some Investments

- Examine your investment portfolio and consider options that might increase your yields
- Consider differences in risk, returns, and your time horizons before making changes
- Consider all taxation, fees and other important investment characteristics

Reexamine Your Sensitivity to Life's Major Uncertainties

- Is it possible that you will outlive your wealth during retirement?
- How would the unexpected death of you or your spouse affect the lifestyle of the survivors?
- What would happen to your plans if you or your spouse became disabled?
- Are you financially prepared for an extended nursing home stay during retirement?

Consider:

Shortfall occurred in January of 2016.
The value of the shortfall today invested at 6%: £113,632
You need to reduce your monthly outgoing payments by 5% beginning today.

5

The Survivors' Lifestyle if Keith or Kathryn Dies

It's hard for most people to even imagine the death of a loved one. However, proper financial planning involves careful consideration of the possibility.

Examining the effects of death is an important step in determining both your current and future financial situations. In order to illustrate how your finances might satisfy the lifestyle needs of the survivors, this portion of your analysis considers the possible effects of each of your deaths on cash flow.

Following death, all assumptions about expenses and income must be adjusted; the calculations used in this portion of your analysis reflect those adjustments. This section of the analysis of the survivor's cash flow answers the following questions:

- What does "maintaining the lifestyle of the survivors" mean?
- How does your cash flow work?
- What incoming cash can you expect to receive?
- What outgoing payments can you expect?
- How will your cash flow handle unexpected payments and fluctuations?
- How will your cash flow affect your assets?
- How will your net worth (the result of your cash flow) change?

Funding Your Lifestyle

This cash flow analysis examines all of the financial items that are part of your lifestyle. It simulates typical spending and saving habits in order to determine (*a*) how you would meet your financial obligations and (*b*) what you would have left over for savings or investment.

Maintaining the Lifestyle of Your Survivors

This section assumes that Keith dies today and Kathryn continues to live.

Cash Flow Analysis

Examining your cash flow on a detailed monthly basis helps answer two essential questions: One, will I have enough money? And, two, if there is a problem, how severe is the shortfall?

Adjustments in Lifestyle

Major life events directly influence your lifestyle expenses. An unexpected death or disability, for example, could have a profound effect on your overall expenses and incoming cash flow. Some of your expenses may be reduced when you retire; expenses associated with traveling to and from work, for example. At the same time, money spent on recreation, vacations, or health care may increase your expenses during retirement.[1]

The following payments are necessary for you to maintain your lifestyle:

- Basic lifestyle expenses
- Wedding for Julie valued at £15,000 Monthly (Starting on Jan 01, 2023 and ending after a one time occurrence)
- Italian Villa for Keith and Kathryn costing £165,000 (value today) (starting when Keith retires)
- Education for Jack
- Education for Julie
- Education for Jack
- Make payments on all loans

[1] Expenses and the adjustments for death and retirement are shown in the "Confirmation of Facts" section.

Your Cash Flow Process

Cash flow is a simple, monthly process. You receive money from outside sources and deposit that money into your bank account. You use that account to pay your expenses and cover your lifestyle expenses. What you do not spend you save, invest, or use to purchase other assets. If your expenses exceed your income one month, you take some money out of the savings, sell an asset, or borrow the funds to pay the expenses. Cash flow analysis is the detailed study of this monthly process.

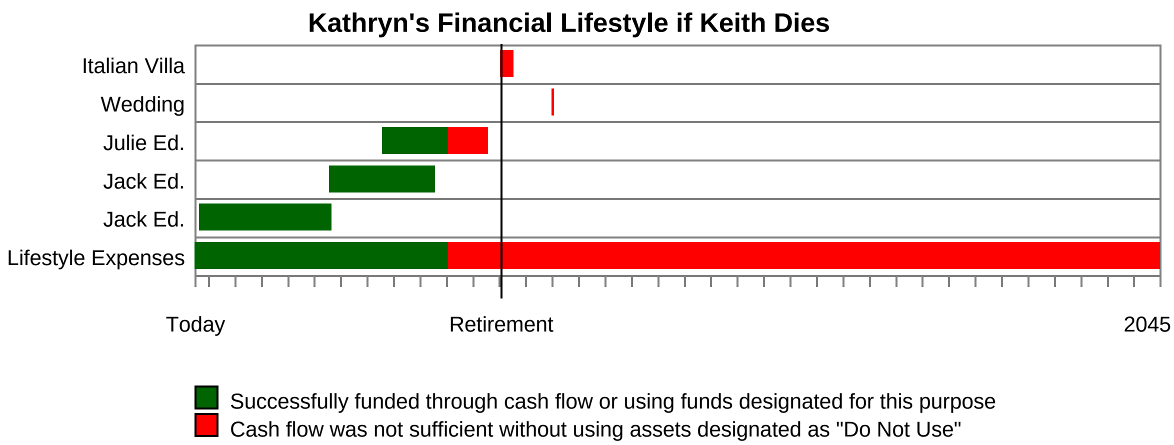
Your monthly cash flow process involves the following steps:

- Determine your expected incoming cash
- Determine your expected outgoing payments
- Compare incoming and outgoing cash: if outgoing payments exceed incoming cash, use an asset or borrow money to cover the shortage
- Adjust asset values as necessary

Discretionary Spending

Some of your expenditures fluctuate based on the funds available to you. When your incoming cash exceeds your outgoing payments, a portion of the excess cash may be used for discretionary spending. Cash flow analysis helps you identify and understand your discretionary spending, which can improve your financial situation.

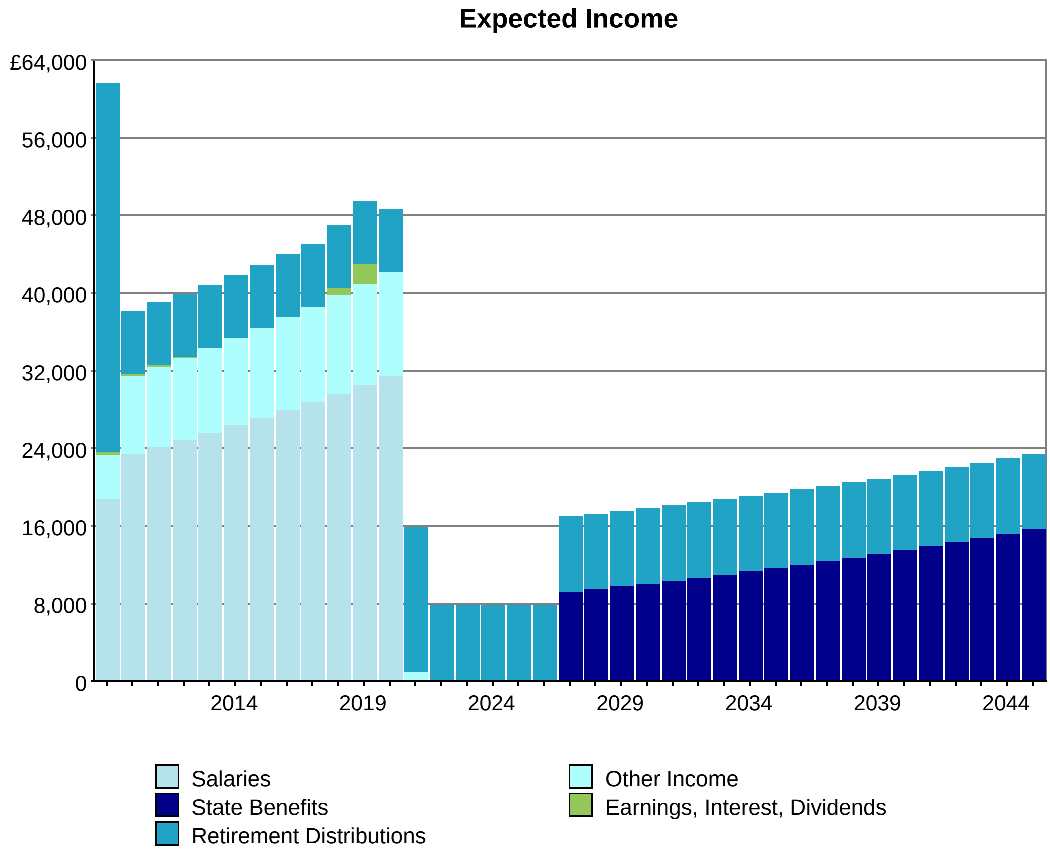
Effects of your cash flow process—will you run out of money?



A cash flow failure occurred in February of 2019 with assets designated as "Do Not Use" equal to £1,191,362.

Your cash flow is not sufficient to support your lifestyle expenses. The value of the shortfall today invested at 6% is £116,878.

Incoming Cash Expected



A cash flow failure occurred in February of 2019 with assets designated as "Do Not Use" equal to £1,191,362. This illustration assumes Keith dies today. Life Insurance proceeds of £275,000 from Keith's death have been considered.

This illustration does not reflect *(a)* liquidations or unplanned withdrawals from your assets or *(b)* new loan proceeds that may be necessary during any month that expenses exceed income. However, the cash flow analysis considers income from all sources.

Incoming Cash Expected

Incoming Cash Flow

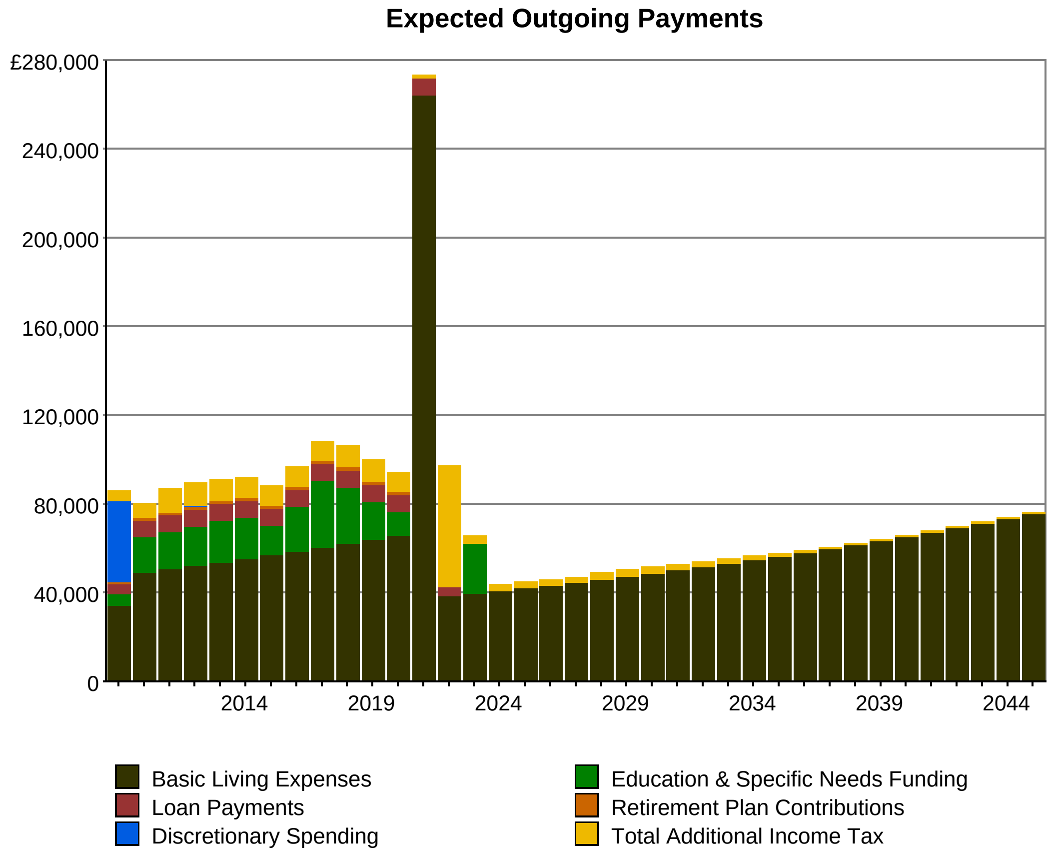
Year	Salary	Other Income[1]	State Benefits[1]	Earnings (Cash, Dividends)	Retirement Plan Distributions	Total Expected Income
2009	£18,840	£4,550	£0	£248	£38,250	£61,888
2010	23,484	8,034	0	248	6,500	38,266
2011	24,189	8,275	0	248	6,500	39,211
2012	24,914	8,523	0	124	6,500	40,061
2013	25,662	8,779	0	0	6,500	40,941
2014	26,431	9,042	0	0	6,500	41,974
2015	27,224	9,314	0	0	6,500	43,038
2016	28,041	9,593	0	0	6,500	44,134
2017	28,882	9,881	0	0	6,500	45,263
2018	29,749	10,177	0	750	6,500	47,176
2019	30,641	10,483	0	2,100	6,500	49,723
2020	31,561	10,797	0	0	6,500	48,858
R 2021	0	927	0	0	14,934	15,861
2022	0	0	0	0	7,787	7,787
2023	0	0	0	0	7,787	7,787
2024	0	0	0	0	7,787	7,787
2025	0	0	0	0	7,787	7,787
2026	0	0	0	0	7,787	7,787
2027	0	0	9,193	0	7,787	16,980
2028	0	0	9,469	0	7,787	17,256
2029	0	0	9,753	0	7,787	17,540
2030	0	0	10,046	0	7,787	17,832
2031	0	0	10,347	0	7,787	18,134
2032	0	0	10,657	0	7,787	18,444
2033	0	0	10,977	0	7,787	18,764
2034	0	0	11,306	0	7,787	19,093
2035	0	0	11,646	0	7,787	19,432
2036	0	0	11,995	0	7,787	19,782
2037	0	0	12,355	0	7,787	20,141
2038	0	0	12,725	0	7,787	20,512
2039	0	0	13,107	0	7,787	20,894
2040	0	0	13,500	0	7,787	21,287
2041	0	0	13,905	0	7,787	21,692
2042	0	0	14,323	0	7,787	22,109
2043	0	0	14,752	0	7,787	22,539
2044	0	0	15,195	0	7,787	22,981
2045	0	0	15,651	0	7,787	23,437

A cash flow failure occurred in February of 2019 with assets designated as "Do Not Use" equal to £1,191,362. This illustration assumes Keith dies today. Life Insurance proceeds of £275,000 from Keith's death have been considered.

This illustration does not reflect *(a)* liquidations or unplanned withdrawals from your assets or *(b)* new loan proceeds that may be necessary during any month that expenses exceed income. However, the cash flow analysis considers income from all sources.

[1] Other Income includes any estimated tax refunds for the prior year.
R-Retirement assumed to begin in this year.

Expected Outgoing Payments



A cash flow failure occurred in February of 2019 with assets designated as "Do Not Use" equal to £1,191,362. Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.

Expected Outgoing Payments

Outgoing Payments

Year	Basic Expenses	Education & Specific Needs	Loan Payments	Retirement Plan Contributions	Discre-tionary Spending	Tax Payments and Deductions[1]	Total Outgoing Payments
2009	£33,953	£5,000	£4,494	£1,116	£36,720	£4,911	£86,194
2010	48,873	15,900	7,704	1,236	0	6,541	80,255
2011	50,340	16,854	7,704	1,273	0	11,178	87,348
2012	51,850	17,865	7,704	1,311	472	10,615	89,818
2013	53,405	18,937	7,704	1,351	0	10,025	91,422
2014	55,008	18,679	7,704	1,391	0	9,486	92,268
2015	56,658	13,476	7,704	1,433	0	9,274	88,545
2016	58,358	20,236	7,704	1,476	0	9,084	96,858
2017	60,108	30,283	7,704	1,520	0	8,884	108,500
2018	61,911	25,413	7,704	1,566	0	10,199	106,793
2019	63,769	17,013	7,704	1,613	0	10,181	100,279
2020	65,682	10,520	7,704	1,661	0	8,895	94,462
R 2021	265,192	0	7,704	0	0	1,667	274,562
2022	38,182	0	4,132	0	0	55,178	97,492
2023	39,327	22,689	0	0	0	3,669	65,685
2024	40,507	0	0	0	0	3,253	43,761
2025	41,722	0	0	0	0	3,048	44,771
2026	42,974	0	0	0	0	2,842	45,816
2027	44,263	0	0	0	0	2,616	46,880
2028	45,591	0	0	0	0	3,601	49,192
2029	46,959	0	0	0	0	3,403	50,361
2030	48,368	0	0	0	0	3,185	51,552
2031	49,819	0	0	0	0	2,948	52,767
2032	51,313	0	0	0	0	2,691	54,005
2033	52,853	0	0	0	0	2,414	55,266
2034	54,438	0	0	0	0	2,114	56,552
2035	56,071	0	0	0	0	1,790	57,861
2036	57,754	0	0	0	0	1,442	59,195
2037	59,486	0	0	0	0	1,111	60,597
2038	61,271	0	0	0	0	1,065	62,336
2039	63,109	0	0	0	0	1,051	64,159
2040	65,002	0	0	0	0	1,035	66,038
2041	66,952	0	0	0	0	1,020	67,972
2042	68,961	0	0	0	0	1,004	69,964
2043	71,030	0	0	0	0	987	72,017
2044	73,160	0	0	0	0	970	74,130
2045	75,355	0	0	0	0	952	76,308

A cash flow failure occurred in February of 2019 with assets designated as "Do Not Use" equal to £1,191,362. Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.

[1] All PAYE tax deductions plus additional tax payments (other income and capital gains tax). Refunds are shown as other income in the year received.

R-Retirement assumed to begin in this year.

Additional Needs if Keith Dies

Education Needs

Education for	Annual Education Cost (Today's Money	Portion Funded from Other Sources[1]	Start in Year	For Years	Total Cost for Education[2]	Institution
Jack	£9,500	0%	2014	4	£57,562	University
Julie	£9,500	0%	2016	4	£64,676	University
Jack	£15,000	0%	2009	5	£87,939	Public School

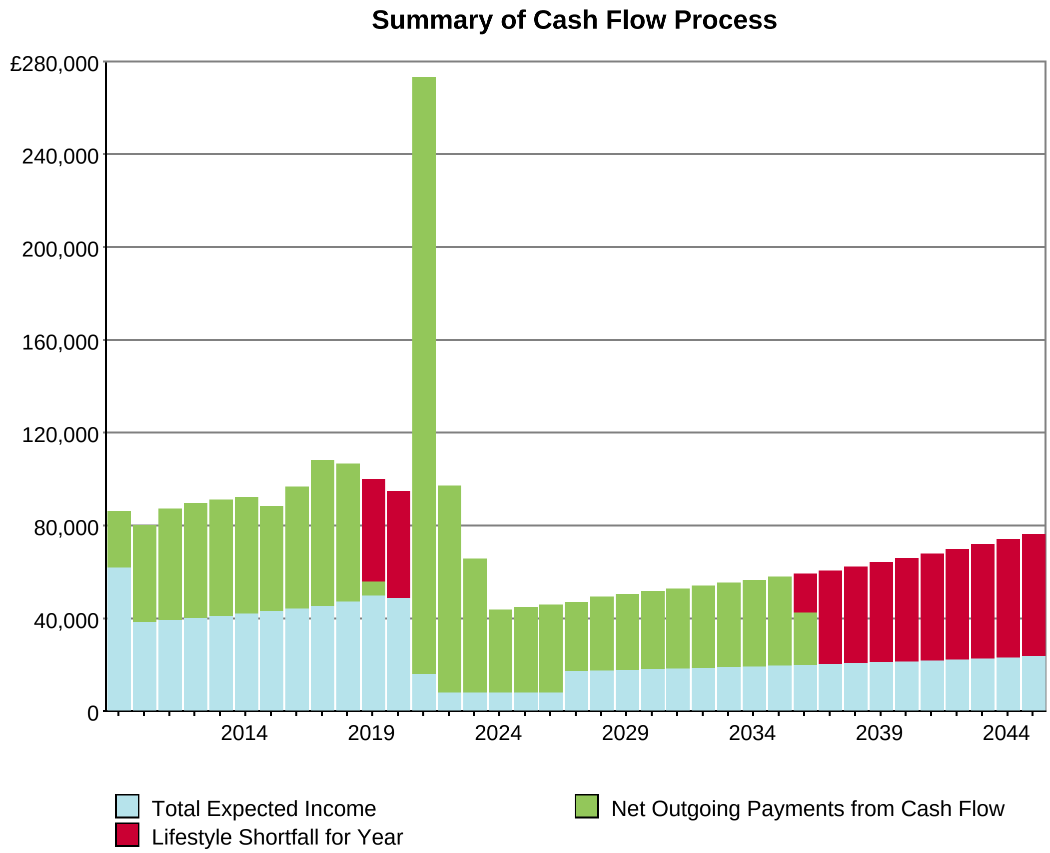
To just fund the education needs:

- Life Insurance to provide for the entire education need of £210,177, or provide £125,875 for additional funds needed today.

[1] Other sources may include scholarships, grants, student loans, or student work.
[2] Total Cost for Education is the total for the entire education need, assuming an annual inflation rate of 6%. This total does not reflect the portion of education costs funded from other sources.

Will Cash Flow Provide Needed Outgoing Payments?

By combining the information from the previous graphs, it is easy to see how your cash flow process works. Expected income is shown on top of the total outgoing payments. Any portion of payments remaining is paid by the cash flow process—using assets you have designated. When the cash flow process cannot provide the needed payments without using assets you designated as "Do Not Use," then you have failure with the needed amount shown as a shortfall.



Expected Income——the sum of all income items before the cash flow process is applied to use any assets or new loans to meet outgoing payments

Outgoing Payments from Cash Flow Process—the portion of outgoing payments that were required to be paid from using various assets or new loans

Shortfall—the amount needed in a year to pay all desired outgoing payments to maintain your lifestyle, but without using any assets you designated as "Do Not Use"

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is £116,878. This is the equivalent of reducing your spending by £1,315 every month. The following options may help you optimize your cash flow:

Reduce Expenses

- Determine whether you can comfortably reduce your expenses by reexamining each individual expense
- Consider reducing your discretionary spending and increasing your savings
- Are you claiming all the tax allowances to which you are entitled? Invest in one of the many inexpensive tax guides at your local book shop before you complete your next tax return.

Refinance Loans

- You may reduce your monthly expenses by (*a*) refinancing a loan to obtain a lower rate or (*b*) extending the terms of a loan
- Consider the fees and any points associated with individual loans when comparing payments

Pay Off Loans

- Reduce your monthly expenses by selling a slow growing asset and using the proceeds to pay off your loans

Downsize

- Sell your current home and buy a home or apartment of lesser value
- Reduce or eliminate your mortgage payment
- Reduce other monthly expenses, such as home maintenance, insurance, and property taxes

Change Some Investments

- Examine your investment portfolio and consider options that might increase your yields
- Consider differences in risk, returns, and your time horizons before making changes
- Consider all taxation, fees and other important investment characteristics

Reexamine Your Sensitivity to Life's Major Uncertainties

- Will Kathryn outlive your wealth during retirement?
- How would the unexpected death of you or your spouse affect the lifestyle of the survivors?
- Are you financially prepared for an extended nursing home stay during retirement?

Consider:

Shortfall occurred in February of 2019.

The value of the shortfall today invested at 6%:	£116,878

You need to reduce your monthly outgoing payments by 7% beginning today.

Funding Your Lifestyle

This cash flow analysis examines all of the financial items that are part of your lifestyle. It simulates typical spending and saving habits in order to determine (*a*) how you would meet your financial obligations and (*b*) what you would have left over for savings or investment.

Maintaining the Lifestyle of Your Survivors

This section assumes that Kathryn dies today and Keith continues to live.

Cash Flow Analysis

Examining your cash flow on a detailed monthly basis helps answer two essential questions: One, will I have enough money? And, two, if there is a problem, how severe is the shortfall?

Adjustments in Lifestyle

Major life events directly influence your lifestyle expenses. An unexpected death or disability, for example, could have a profound effect on your overall expenses and incoming cash flow. Some of your expenses may be reduced when you retire; expenses associated with traveling to and from work, for example. At the same time, money spent on recreation, vacations, or health care may increase your expenses during retirement.[1]

The following payments are necessary for you to maintain your lifestyle:

- Basic lifestyle expenses
- Wedding for Julie valued at £15,000 Monthly (Starting on Jan 01, 2023 and ending after a one time occurrence)
- Golf Timeshare for Keith costing £25,000 (value today) (starting on Jan 01, 2015)
- Italian Villa for Keith and Kathryn costing £165,000 (value today) (starting when Keith retires)
- Education for Jack
- Education for Julie
- Education for Jack
- Make payments on all loans

[1] Expenses and the adjustments for death and retirement are shown in the "Confirmation of Facts" section.

Your Cash Flow Process

Cash flow is a simple, monthly process. You receive money from outside sources and deposit that money into your bank account. You use that account to pay your expenses and cover your lifestyle expenses. What you do not spend you save, invest, or use to purchase other assets. If your expenses exceed your income one month, you take some money out of the savings, sell an asset, or borrow the funds to pay the expenses. Cash flow analysis is the detailed study of this monthly process.

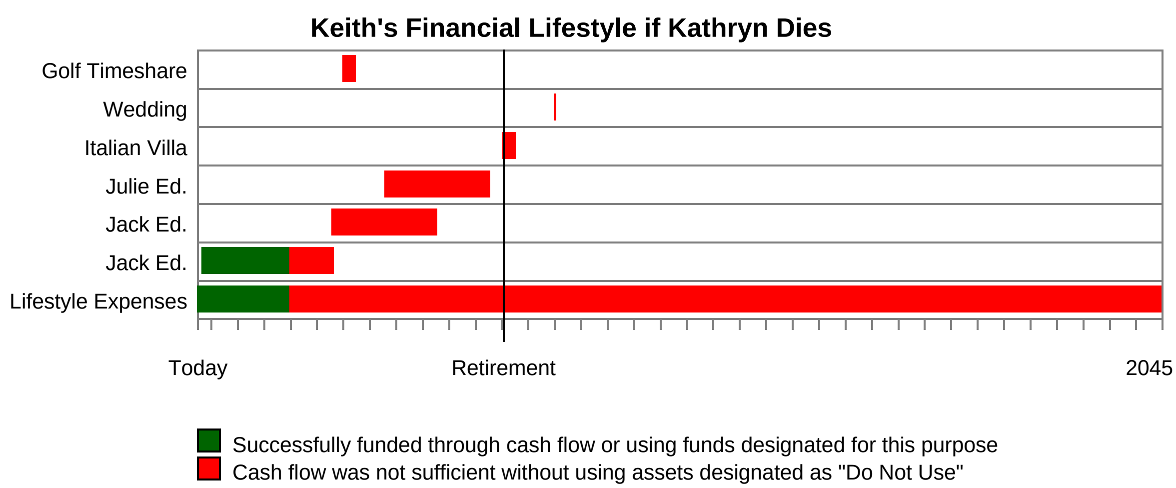
Your monthly cash flow process involves the following steps:

- Determine your expected incoming cash
- Determine your expected outgoing payments
- Compare incoming and outgoing cash: if outgoing payments exceed incoming cash, use an asset or borrow money to cover the shortage
- Adjust asset values as necessary

Discretionary Spending

Some of your expenditures fluctuate based on the funds available to you. When your incoming cash exceeds your outgoing payments, a portion of the excess cash may be used for discretionary spending. Cash flow analysis helps you identify and understand your discretionary spending, which can improve your financial situation.

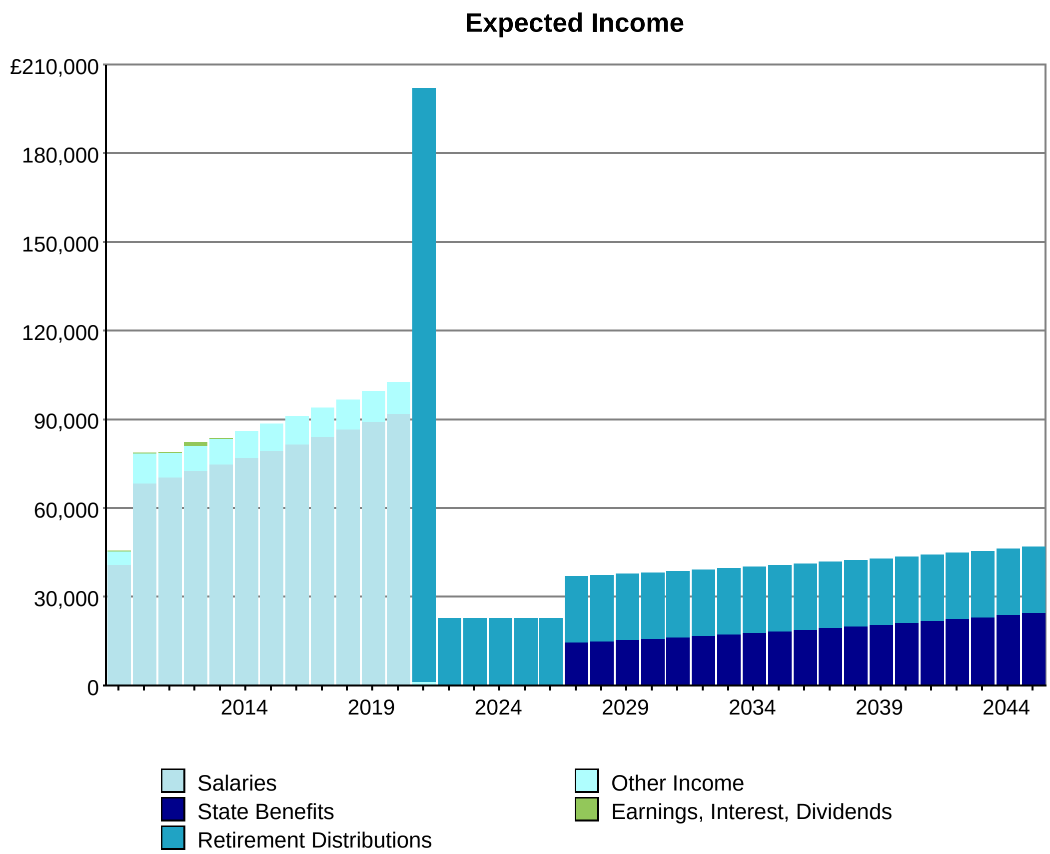
Effects of your cash flow process—will you run out of money?



A cash flow failure occurred in January of 2013 with assets designated as "Do Not Use" equal to £963,651.

Your cash flow is not sufficient to support your lifestyle expenses. The value of the shortfall today invested at 6% is £190,381.

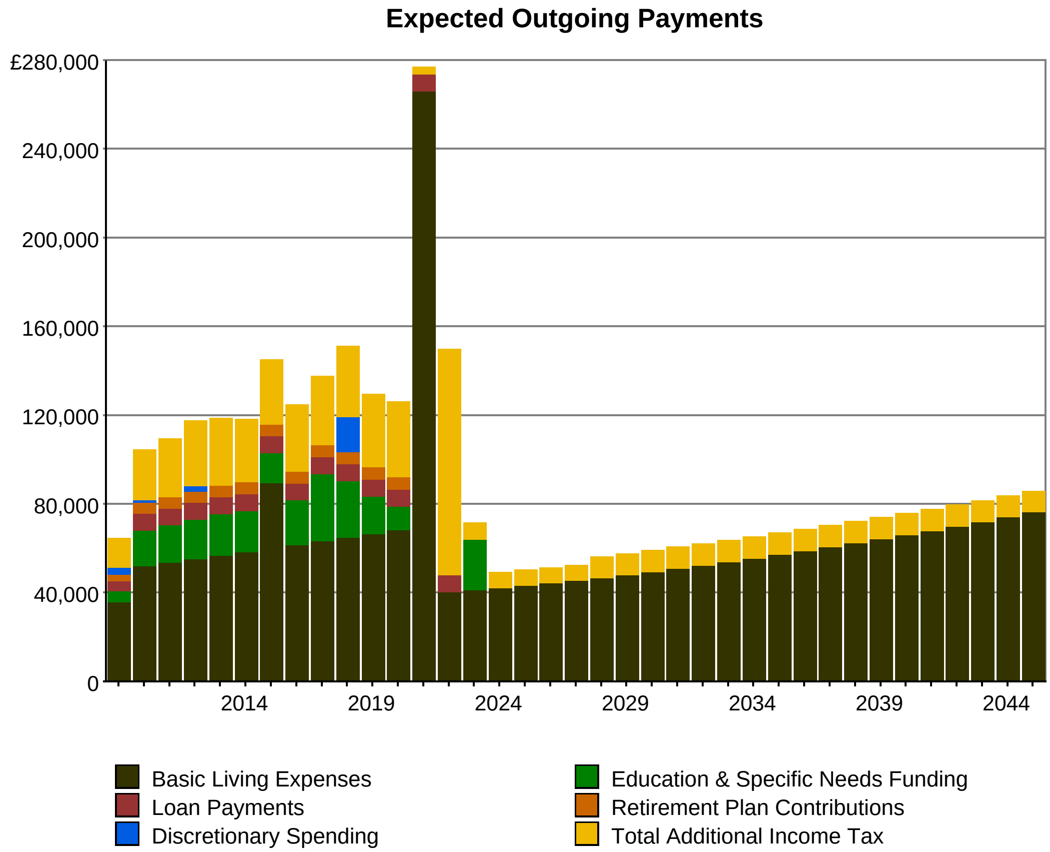
Incoming Cash Expected



A cash flow failure occurred in January of 2013 with assets designated as "Do Not Use" equal to £963,651. This illustration assumes Kathryn dies today. Life Insurance proceeds of £0 from Kathryn's death have been considered.

This illustration does not reflect *(a)* liquidations or unplanned withdrawals from your assets or *(b)* new loan proceeds that may be necessary during any month that expenses exceed income. However, the cash flow analysis considers income from all sources.

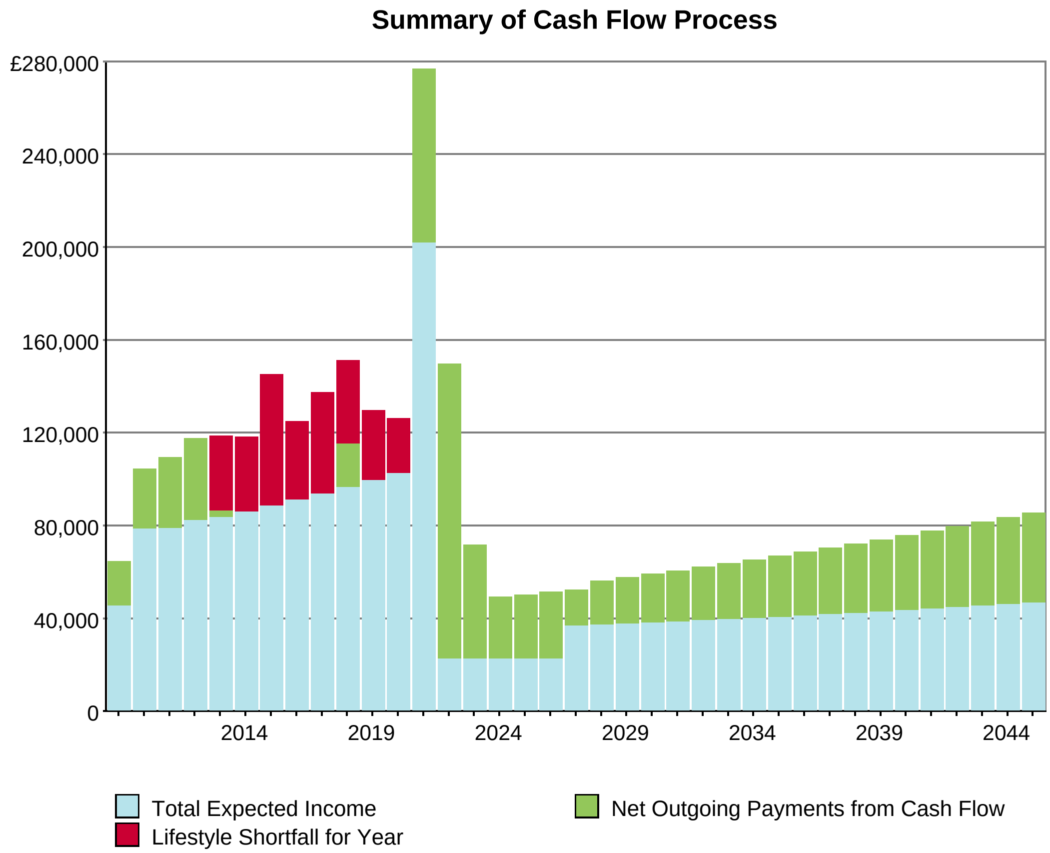
Expected Outgoing Payments



A cash flow failure occurred in January of 2013 with assets designated as "Do Not Use" equal to £963,651. Outgoing payments begin with compulsory expenses (such as taxation) and continue through your discretionary spending.

Will Cash Flow Provide Needed Outgoing Payments?

By combining the information from the previous graphs, it is easy to see how your cash flow process works. Expected income is shown on top of the total outgoing payments. Any portion of payments remaining is paid by the cash flow process—using assets you have designated. When the cash flow process cannot provide the needed payments without using assets you designated as "Do Not Use," then you have failure with the needed amount shown as a shortfall.



Expected Income——the sum of all income items before the cash flow process is applied to use any assets or new loans to meet outgoing payments

Outgoing Payments from Cash Flow Process—the portion of outgoing payments that were required to be paid from using various assets or new loans

Shortfall—the amount needed in a year to pay all desired outgoing payments to maintain your lifestyle, but without using any assets you designated as "Do Not Use"

Cash Flow & Net Worth

Cash Flow & Net Worth

Year	Expected Income	Total Outgoing Payments	Net Paid from Cash Flow Process[1]	End of Year Assets[2]	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2009	£45,478	£64,669	£19,192	£892,443	£80,244	---	£812,200
2010	78,859	104,663	25,804	907,130	73,554	---	833,576
2011	79,051	109,691	30,639	917,054	66,509	---	850,545
2012	82,517	117,889	35,373	922,029	60,095	---	861,934
2013	83,853	119,078	2,792	963,651	55,405	32,434	875,812[3]
2014	86,111	118,531	0	1,010,316	50,465	64,854	894,997
2015	88,694	145,628	0	1,089,534	45,263	121,788	922,484
2016	91,355	125,217	0	1,141,118	39,783	155,650	945,686
2017	94,096	138,024	0	1,195,023	34,011	199,578	961,434
2018	96,919	151,666	18,750	1,251,358	27,932	235,575	987,851
2019	99,826	129,977	0	1,310,238	21,530	265,726	1,022,982
2020	102,821	126,499	0	1,371,782	14,786	289,405	1,067,592
R 2021	202,913	278,168	75,255	1,461,771	7,683	289,405	1,164,684
2022	22,472	150,198	127,726	1,384,145	202	289,405	1,094,539
2023	22,472	71,672	49,199	1,384,155	0	289,405	1,094,750
2024	22,472	49,265	26,793	1,407,106	0	289,405	1,117,701
2025	22,472	50,155	27,682	1,429,777	0	289,405	1,140,373
2026	22,472	51,314	28,842	1,451,861	0	289,405	1,162,456
2027	36,773	52,274	15,501	1,488,131	0	289,405	1,198,727
2028	37,202	56,244	19,043	1,521,947	0	289,405	1,232,543
2029	37,644	57,682	20,038	1,555,835	0	289,405	1,266,430
2030	38,099	59,152	21,053	1,589,761	0	289,405	1,300,357
2031	38,567	60,657	22,089	1,623,690	0	289,405	1,334,285
2032	39,050	62,198	23,147	1,657,582	0	289,405	1,368,177
2033	39,548	63,775	24,227	1,691,394	0	289,405	1,401,989
2034	40,060	65,390	25,330	1,725,083	0	289,405	1,435,678
2035	40,588	67,042	26,455	1,758,600	0	289,405	1,469,195
2036	41,131	68,734	27,603	1,791,895	0	289,405	1,502,490
2037	41,691	70,464	28,774	1,824,912	0	289,405	1,535,508
2038	42,267	72,235	29,968	1,857,596	0	289,405	1,568,191
2039	42,861	74,047	31,186	1,889,883	0	289,405	1,600,479
2040	43,473	75,901	32,428	1,921,710	0	289,405	1,632,305
2041	44,103	77,797	33,694	1,953,006	0	289,405	1,663,601
2042	44,752	79,736	34,984	1,983,698	0	289,405	1,694,294
2043	45,420	81,719	36,299	2,013,709	0	289,405	1,724,305

[1] Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
[2] Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.
[3] Cash Flow Failure-Incoming cash flow plus any available assets remaining were insufficient to pay outgoing payments. Any assets remaining are those assets that you marked "Do Not Use".
R-Retirement assumed to begin in this year.

Cash Flow & Net Worth (Continued)

Cash Flow & Net Worth

Year	Expected Income	Total Outgoing Payments	Net Paid from Cash Flow Process[1]	End of Year Assets[2]	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2044	46,109	83,747	37,639	2,042,956	0	289,405	1,753,551
2045	46,818	85,821	39,003	2,071,351	0	289,405	1,781,946

A cash flow failure occurred in January of 2013 with assets designated as "Do Not Use" equal to £963,651.

Cash Flow Affects the Value of Assets

When Outgoing Payments exceed the Expected Income, existing assets must be used. If Expected Income exceeds Outgoing Payments then the surplus creates additional assets. These cash flow transactions are reflected in your assets. Net Worth is the difference in Assets and Liabilities.

[1] Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
[2] Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is £190,381. This is the equivalent of reducing your spending by £4,894 every month. The following options may help you optimize your cash flow:

Reduce Expenses

- Determine whether you can comfortably reduce your expenses by reexamining each individual expense
- Consider reducing your discretionary spending and increasing your savings
- Are you claiming all the tax allowances to which you are entitled? Invest in one of the many inexpensive tax guides at your local book shop before you complete your next tax return.

Refinance Loans

- You may reduce your monthly expenses by (*a*) refinancing a loan to obtain a lower rate or (*b*) extending the terms of a loan
- Consider the fees and any points associated with individual loans when comparing payments

Pay Off Loans

- Reduce your monthly expenses by selling a slow growing asset and using the proceeds to pay off your loans

Downsize

- Sell your current home and buy a home or apartment of lesser value
- Reduce or eliminate your mortgage payment
- Reduce other monthly expenses, such as home maintenance, insurance, and property taxes

Change Some Investments

- Examine your investment portfolio and consider options that might increase your yields
- Consider differences in risk, returns, and your time horizons before making changes
- Consider all taxation, fees and other important investment characteristics

Reexamine Your Sensitivity to Life's Major Uncertainties

- Will Keith outlive your wealth during retirement?
- How would the unexpected death of you or your spouse affect the lifestyle of the survivors?
- Are you financially prepared for an extended nursing home stay during retirement?

Consider:

Shortfall occurred in January of 2013.

The value of the shortfall today invested at 6%:	£190,381

You need to reduce your monthly outgoing payments by 9% beginning today.

6

Disability—A Pre-Retirement Uncertainty

Before age 65, it is 2.90 times more likely that Keith will suffer a long-term disability than die and 4.98 times more likely that Kathryn will suffer a long-term disability than die![1]

Examining the effects of disability is an important step in determining both your current and future financial situations. This portion of your analysis shows how your cash flow would be affected if one of you become disabled today. It illustrates how your finances might work to satisfy your lifestyle needs.

Following disability, all assumptions about expenses and income must be adjusted; the calculations used in this portion of your analysis reflect those adjustments. This section of the analysis of your cash flow during disability answers the following questions:

- What does "maintaining your lifestyle during disability" mean?
- How does your cash flow work?
- What incoming cash can you expect to receive?
- What outgoing payments can you expect?
- How will your cash flow handle unexpected payments and fluctuations?
- How will your cash flow affect your assets?
- How will your net worth (the result of your cash flow) change?

[1] Office of National Statistics.

Your Cash Flow Process

Cash flow is a simple, monthly process. You receive money from outside sources and deposit that money into your bank account. You use that account to pay your expenses and cover your lifestyle expenses. What you do not spend you save, invest, or use to purchase other assets. If your expenses exceed your income one month, you take some money out of the savings, sell an asset, or borrow the funds to pay the expenses. Cash flow analysis is the detailed study of this monthly process.

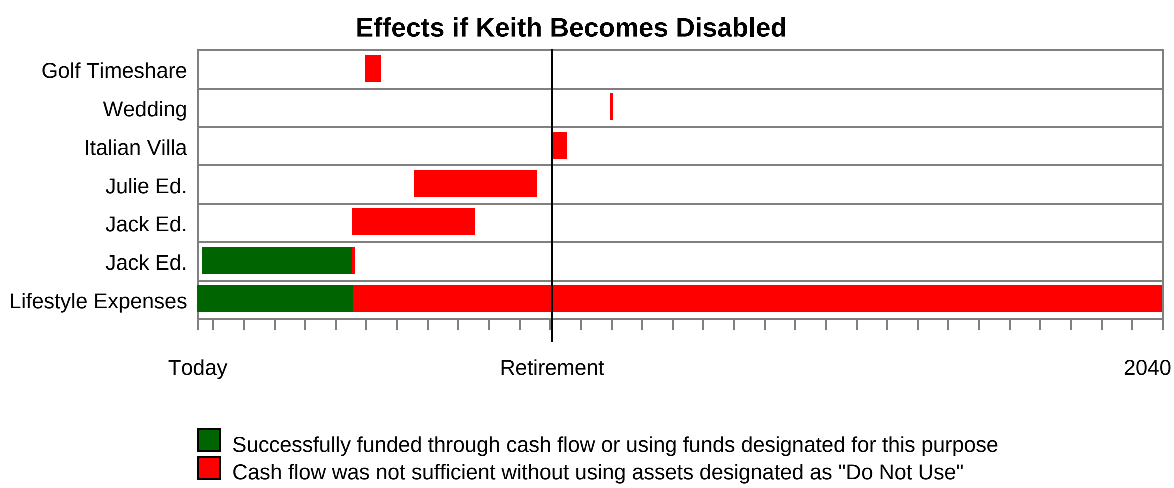
Your monthly cash flow process involves the following steps:

- Determine your expected incoming cash
- Determine your expected outgoing payments
- Compare incoming and outgoing cash: if outgoing payments exceed incoming cash, use an asset or borrow money to cover the shortage
- Adjust asset values as necessary

Discretionary Spending

Some of your expenditures fluctuate based on the funds available to you. When your incoming cash exceeds your outgoing payments, a portion of the excess cash may be used for discretionary spending. Cash flow analysis helps you identify and understand your discretionary spending, which can improve your financial situation.

Effects of your cash flow process—will you run out of money?

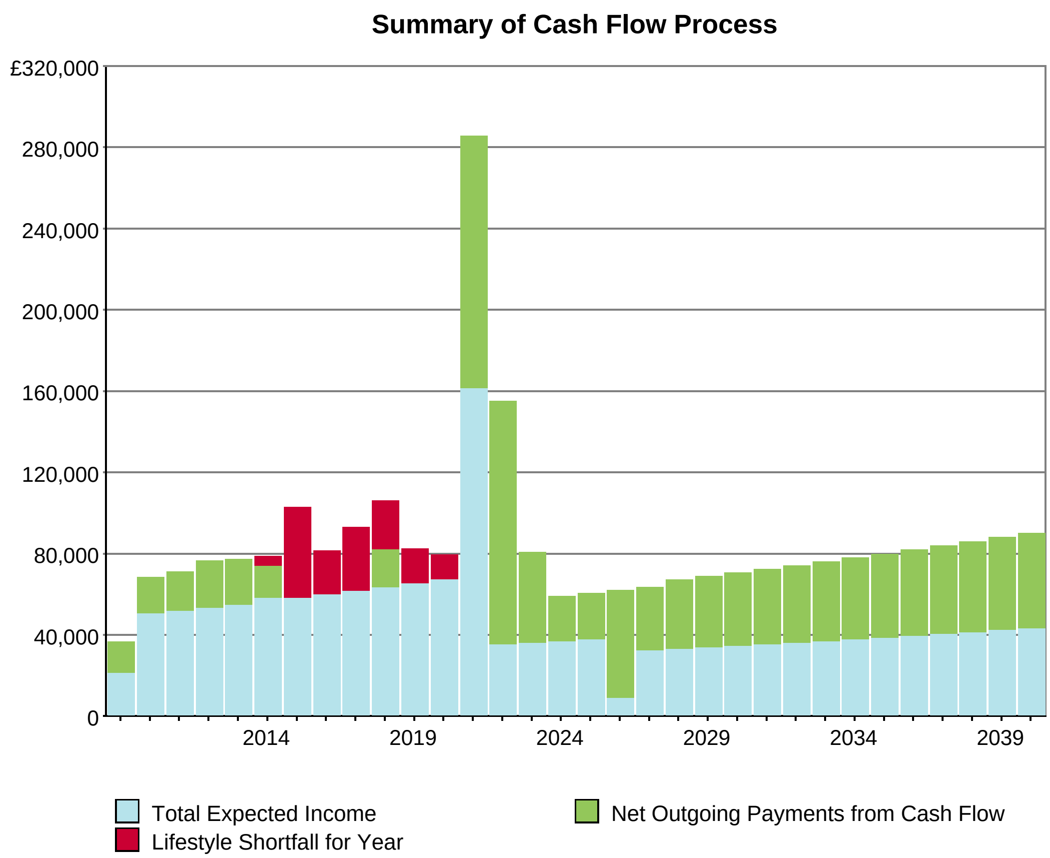


A cash flow failure occurred in August of 2014 with assets designated as "Do Not Use" equal to £997,597.

Your cash flow is not sufficient to support your lifestyle expenses. The value of the shortfall today invested at 6% is £99,742.

Will Cash Flow Provide Needed Outgoing Payments?

By combining the information from the previous graphs, it is easy to see how your cash flow process works. Expected income is shown on top of the total outgoing payments. Any portion of payments remaining is paid by the cash flow process—using assets you have designated. When the cash flow process cannot provide the needed payments without using assets you designated as “Do Not Use,” then you have failure with the needed amount shown as a shortfall.



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Outgoing Payments from Cash Flow Process—the portion of outgoing payments that were required to be paid from using various assets or new loans

Shortfall—the amount needed in a year to pay all desired outgoing payments to maintain your lifestyle, but without using any assets you designated as “Do Not Use”

Cash Flow & Net Worth

Cash Flow & Net Worth

Year	Expected Income	Total Outgoing Payments	Net Paid from Cash Flow Process[1]	End of Year Assets[2]	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2009	£21,098	£36,542	£15,445	£894,799	£80,244	---	£814,555
2010	50,615	68,528	17,913	915,407	73,554	---	841,853
2011	51,807	71,303	19,495	935,123	66,509	---	868,615
2012	53,230	76,752	23,522	951,516	59,088	---	892,428
2013	54,700	77,467	22,767	970,933	53,015	---	917,918
2014	58,191	78,885	15,746	997,597	47,948	4,948	944,701[3]
2015	58,031	103,059	0	1,074,031	42,612	49,976	981,443
2016	59,772	81,461	0	1,122,721	36,991	71,666	1,014,064
2017	61,565	93,046	0	1,173,614	31,070	103,147	1,039,397
2018	63,412	106,366	18,750	1,226,817	24,835	127,351	1,074,631
2019	65,314	82,445	0	1,282,436	18,267	144,481	1,119,688
2020	67,274	77,940	0	1,342,192	11,350	156,747	1,174,095
R 2021	161,979	286,943	124,964	1,411,546	4,064	156,747	1,250,735
2022	35,099	155,475	120,375	1,339,034	0	156,747	1,182,287
2023	35,892	80,897	45,005	1,341,227	0	156,747	1,184,480
2024	36,709	59,165	22,456	1,366,608	0	156,747	1,209,861
2025	37,551	60,515	22,965	1,392,214	0	156,747	1,235,468
2026	8,666	62,153	53,487	1,387,364	0	156,747	1,230,617
2027	32,159	63,478	31,318	1,404,418	0	156,747	1,247,671
2028	32,864	67,265	34,400	1,418,569	0	156,747	1,261,822
2029	33,590	68,961	35,371	1,431,866	0	156,747	1,275,119
2030	34,338	70,696	36,358	1,444,236	0	156,747	1,287,489
2031	35,108	72,470	37,362	1,455,600	0	156,747	1,298,853
2032	35,901	74,285	38,384	1,465,874	0	156,747	1,309,127
2033	36,718	76,141	39,423	1,474,970	0	156,747	1,318,223
2034	37,560	78,039	40,479	1,482,796	0	156,747	1,326,049
2035	38,427	79,980	41,553	1,489,253	0	156,747	1,332,506
2036	39,320	81,964	42,645	1,494,239	0	156,747	1,337,492
2037	40,239	83,993	43,753	1,497,644	0	156,747	1,340,897
2038	41,186	86,066	44,879	1,499,354	0	156,747	1,342,607
2039	42,162	88,185	46,023	1,499,249	0	156,747	1,342,502
2040	43,167	90,350	47,183	1,497,201	0	156,747	1,340,455

A cash flow failure occurred in August of 2014 with assets designated as "Do Not Use" equal to £997,597.

Cash Flow Affects the Value of Assets

When Outgoing Payments exceed the Expected Income, existing assets must be used. If Expected Income exceeds Outgoing Payments then the surplus creates additional assets. These cash flow transactions are reflected in your assets. Net Worth is the difference in Assets and Liabilities.

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R-Retirement assumed to begin in this year.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is £99,742. This is the equivalent of reducing your spending by £1,859 every month. The following options may help you optimize your cash flow:

Reduce Expenses

- Determine whether you can comfortably reduce your expenses by reexamining each individual expense
- Consider reducing your discretionary spending and increasing your savings
- Are you claiming all the tax allowances to which you are entitled? Invest in one of the many inexpensive tax guides at your local book shop before you complete your next tax return.

Refinance Loans

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- Sell your current home and buy a home or apartment of lesser value
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- Examine your investment portfolio and consider options that might increase your yields
- Consider differences in risk, returns, and your time horizons before making changes
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Reexamine Your Sensitivity to Life's Major Uncertainties

- Is it possible that you will outlive your wealth during retirement?
- How would the unexpected death of you or your spouse affect the lifestyle of the survivors?
- What would happen to your plans if you or your spouse became disabled?
- Are you financially prepared for an extended nursing home stay during retirement?

Consider:

Through year 2010, income should decrease 42%. If disability continued until retirement, expected income would decrease 47%. Outgoing payments between now and retirement are expected to decrease 30%.

Your Cash Flow Process

Cash flow is a simple, monthly process. You receive money from outside sources and deposit that money into your bank account. You use that account to pay your expenses and cover your lifestyle expenses. What you do not spend you save, invest, or use to purchase other assets. If your expenses exceed your income one month, you take some money out of the savings, sell an asset, or borrow the funds to pay the expenses. Cash flow analysis is the detailed study of this monthly process.

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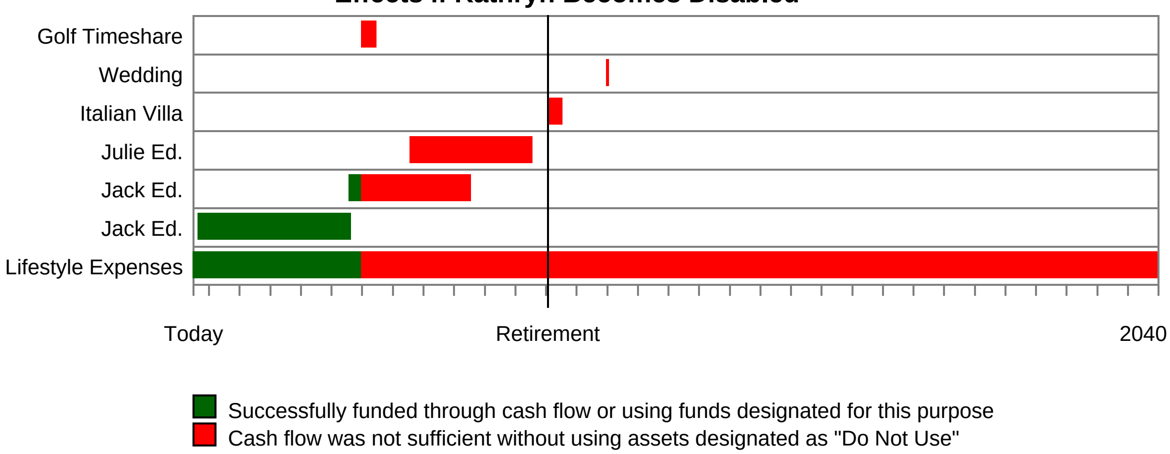
Effects of your cash flow process—will you run out of money?

Effects if Kathryn Becomes Disabled

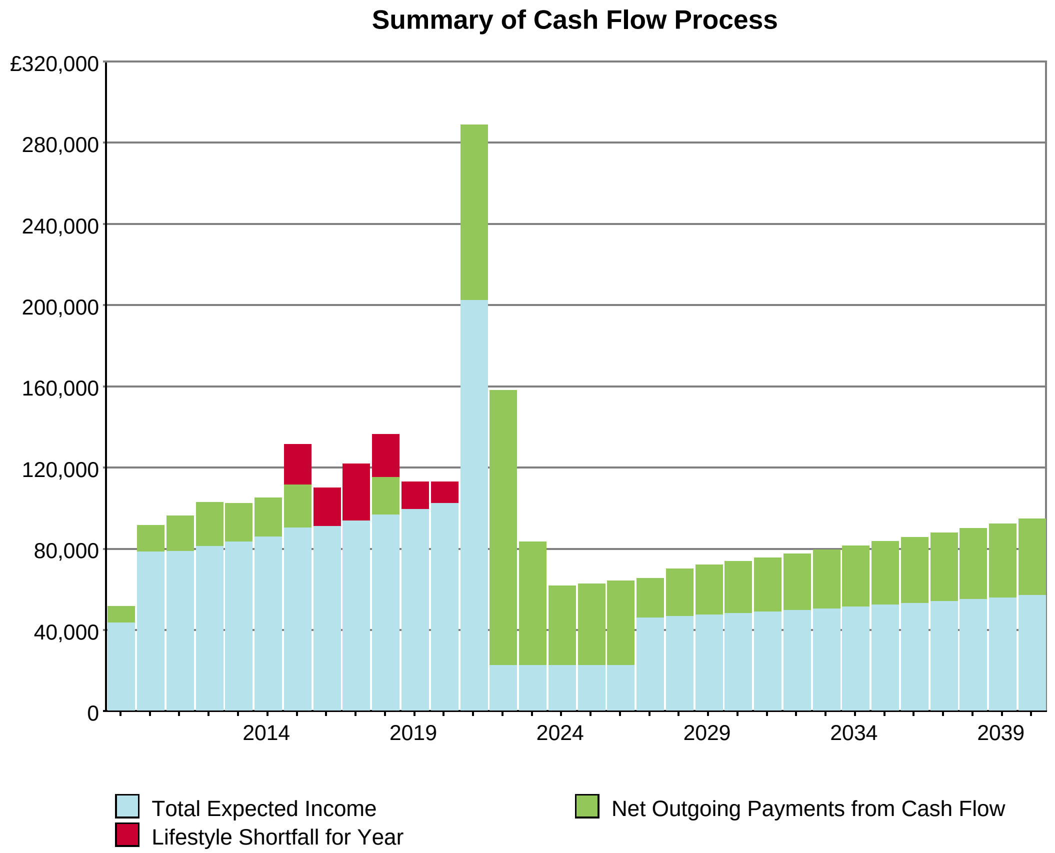


A cash flow failure occurred in January of 2015 with assets designated as "Do Not Use" equal to £1,090,913.

Your cash flow is not sufficient to support your lifestyle expenses. The value of the shortfall today invested at 6% is £69,925.

Will Cash Flow Provide Needed Outgoing Payments?

By combining the information from the previous graphs, it is easy to see how your cash flow process works. Expected income is shown on top of the total outgoing payments. Any portion of payments remaining is paid by the cash flow process—using assets you have designated. When the cash flow process cannot provide the needed payments without using assets you designated as "Do Not Use," then you have failure with the needed amount shown as a shortfall.



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Shortfall—the amount needed in a year to pay all desired outgoing payments to maintain your lifestyle, but without using any assets you designated as "Do Not Use"

Cash Flow & Net Worth

Cash Flow & Net Worth

Year	Expected Income	Total Outgoing Payments	Net Paid from Cash Flow Process[1]	End of Year Assets[2]	End of Year Liabilities	Cumulative Annual Shortfall	Net Worth
2009	£43,578	£51,579	£8,002	£903,660	£80,244	---	£823,416
2010	78,610	91,590	12,981	932,041	73,554	---	858,486
2011	79,051	96,576	17,525	956,918	66,509	---	890,409
2012	81,292	103,009	21,717	978,570	59,088	---	919,482
2013	83,603	102,494	18,892	1,005,686	53,015	---	952,671
2014	86,111	105,316	19,205	1,034,678	47,948	---	986,729
2015	90,744	131,859	21,079	1,090,913	42,612	20,036	1,028,266[3]
2016	91,355	110,345	0	1,142,561	36,991	39,026	1,066,544
2017	94,096	122,252	0	1,196,532	31,070	67,183	1,098,279
2018	96,919	136,889	18,750	1,252,936	24,835	88,404	1,139,698
2019	99,826	113,245	0	1,311,888	18,267	101,823	1,191,798
2020	102,821	112,387	0	1,374,509	11,350	112,388	1,250,770
R 2021	203,424	290,145	86,721	1,451,107	4,064	112,388	1,334,655
2022	22,550	158,580	136,029	1,364,439	0	112,388	1,252,050
2023	22,550	83,676	61,126	1,351,317	0	112,388	1,238,929
2024	22,550	61,750	39,200	1,360,008	0	112,388	1,247,619
2025	22,550	62,891	40,341	1,367,471	0	112,388	1,255,083
2026	22,550	64,305	41,755	1,373,352	0	112,388	1,260,964
2027	46,044	65,521	19,477	1,401,772	0	112,388	1,289,383
2028	46,749	70,199	23,450	1,426,908	0	112,388	1,314,519
2029	47,475	71,998	24,524	1,451,616	0	112,388	1,339,227
2030	48,222	73,839	25,617	1,475,839	0	112,388	1,363,450
2031	48,992	75,724	26,732	1,499,515	0	112,388	1,387,126
2032	49,786	77,654	27,868	1,522,578	0	112,388	1,410,190
2033	50,603	79,629	29,026	1,544,959	0	112,388	1,432,570
2034	51,444	81,651	30,207	1,566,584	0	112,388	1,454,195
2035	52,311	83,720	31,409	1,587,375	0	112,388	1,474,986
2036	53,204	85,838	32,634	1,607,249	0	112,388	1,494,860
2037	54,124	88,005	33,882	1,626,119	0	112,388	1,513,731
2038	55,071	90,223	35,152	1,643,894	0	112,388	1,531,505
2039	56,046	92,491	36,445	1,660,475	0	112,388	1,548,087
2040	57,051	94,812	37,761	1,675,761	0	112,388	1,563,372

A cash flow failure occurred in January of 2015 with assets designated as "Do Not Use" equal to £1,090,913.

Cash Flow Affects the Value of Assets

When Outgoing Payments exceed the Expected Income, existing assets must be used. If Expected Income exceeds Outgoing Payments then the surplus creates additional assets. These cash flow transactions are reflected in your assets. Net Worth is the difference in Assets and Liabilities.

[1] Net change in existing assets due to appreciation, depreciation, reinvested earnings, and other changes.
[2] Assets equal total income less outgoing payments plus net effects of cash flow plus existing assets.
[3] Cash Flow Failure-Incoming cash flow plus any available assets remaining were insufficient to pay outgoing payments. Any assets remaining are those assets that you marked "Do Not Use".
R-Retirement assumed to begin in this year.

Conclusions

Based on the expenses that you specified, your present plans would not be sufficient to maintain your lifestyle. The value of this shortfall today is £69,925. This is the equivalent of reducing your spending by £1,220 every month. The following options may help you optimize your cash flow:

Reduce Expenses

- Determine whether you can comfortably reduce your expenses by reexamining each individual expense
- Consider reducing your discretionary spending and increasing your savings
- Are you claiming all the tax allowances to which you are entitled? Invest in one of the many inexpensive tax guides at your local book shop before you complete your next tax return.

Refinance Loans

- You may reduce your monthly expenses by (*a*) refinancing a loan to obtain a lower rate or (*b*) extending the terms of a loan
- Consider the fees and any points associated with individual loans when comparing payments

Pay Off Loans

- Reduce your monthly expenses by selling a slow growing asset and using the proceeds to pay off your loans

Downsize

- Sell your current home and buy a home or apartment of lesser value
- Reduce or eliminate your mortgage payment
- Reduce other monthly expenses, such as home maintenance, insurance, and property taxes

Change Some Investments

- Examine your investment portfolio and consider options that might increase your yields
- Consider differences in risk, returns, and your time horizons before making changes
- Consider all taxation, fees and other important investment characteristics

Reexamine Your Sensitivity to Life's Major Uncertainties

- Is it possible that you will outlive your wealth during retirement?
- How would the unexpected death of you or your spouse affect the lifestyle of the survivors?
- What would happen to your plans if you or your spouse became disabled?
- Are you financially prepared for an extended nursing home stay during retirement?

Consider:

Through year 2010, income should decrease 20%. If disability continued until retirement, expected income would decrease 22%. Outgoing payments between now and retirement are expected to decrease 18%.

7

Investment Analysis & Asset Allocation

Analysis of your investments starts with determining three things about your assets: what you have, how it works, and what to expect from it.

Understanding your existing investments is a key to any analysis of your current financial situation. You should have a good understanding of what you have and how your investments work together, before considering any changes to these investments. Then, when you decide to make changes in your investments, you should consider how the changes will affect your overall portfolio. This includes determining whether the proposed changes align with your financial objectives and risk tolerances. In other words, you should consider whether the changed portfolio will reflect your particular investment philosophy.

Classifying Your Investments

Your portfolio, a collection of assets held for investment purposes, can be viewed in several ways. Each view of your assets helps you answer different questions about your overall planning. There are three views, or ways to classify your investments.

Assets Classes—What you have

Asset classes are groups of investments with similar characteristics and similar investment categories.

Investment Styles—How it works

Investment styles are groups of assets that have similar cash flow characteristics.

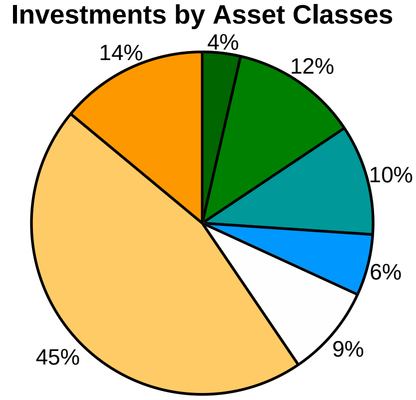
Volatility Classes—What to expect

Volatility classes are groups of investments that have similar risk and return relationships and respond to economic market situations similarly.

The best analysis of your investments is achieved when your entire portfolio is viewed from each of these three perspectives separately. This method provides more insight than trying to combine all of these characteristics into one single analysis or view.

What You Have

Asset classes are groups of investments or investment categories with similar characteristics.



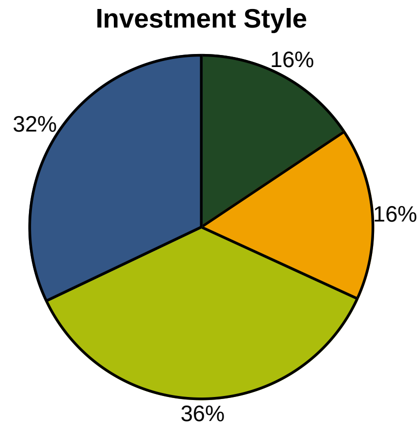
Asset Class

	Savings Cash, savings, national savings	**£3,870**
	Deposit Accounts Deposit accounts	**£12,900**
	Government Bonds Long-term Gov Bonds, Intermediate Gov Bonds	**£11,168**
	Corporate Bonds High yield, high quality, zero-coupon bonds	**£6,200**
	International Bonds Emerging markets and developed countries bonds	**£9,279**
	Large Company Stocks Large cap growth or value	**£48,799**
	Small Company Stocks Small and mid cap stocks	**£15,000**
	Total	**£107,216**[1]

[1] Assets held for other purposes of £695,000 are not included.

How It Works

Investment styles are groups of assets that have similar cash flow characteristics.



Investment Style

	Cash Cash assets can be converted to cash in a short time (days or a few weeks) with little or no loss in value.	**£16,770**
	Income Investment yield is primarily in the form of dividends or interest or other earnings for income assets. These earnings are usually paid at least annually and may be taken in cash or can be reinvested.	**£17,368**
	Growth and Income Some investments emphasize both growth and income. The emphasis is some long-term growth but with some of the earnings being realized each year as income.	**£38,699**
	Growth Investment yield is primarily in the form of appreciation or growth for growth assets. Usually a portion or the entire asset must be sold to realize any gain. Gain often qualifies for capital gains treatment.	**£34,379**
	Total	**£107,216**[1]

[1] Assets held for other purposes of £695,000 are not included.

Analysing Expected Risk and Return by Volatility

Volatility classes are groups of investments that have similar risk and return relationships and respond to market situations similarly.

Investment Yields and Risk Classes (Volatility Classes)

Assets are classified based on anticipated yields and risk. Five classes are used to represent the different groups of investments—each class with a different volatility. Volatility[1] is the relationship between the mean and the deviation from that mean. Historical records are used to determine the relationship of yields and risk for each class. Assets within a class usually respond similarly to various economic conditions.

Low Yields/Low Risk

The volatility class *Very Conservative* usually has low yields, but small variations from year to year.

High Yields/High Risk

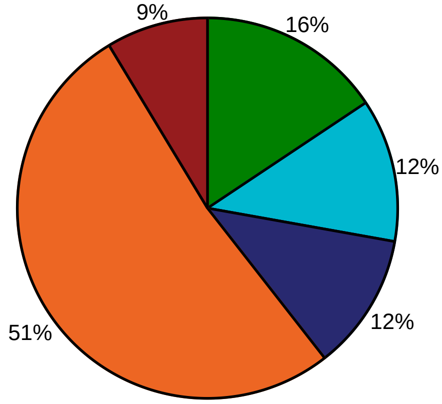
The volatility class *Dynamic* usually has high yields, but also may vary greatly from year to year. Some years may even have losses.

Volatility class generally is the same for similar investments and investments within the same investment category.

[1] The coefficient of variation is used to reflect the volatility of a class. It is the historical standard deviation divided by the mean of similar investments.

Your Assets by Volatility

Volatility classes offer a risk/return view of your investments. The weighted-average yield (growth and income combined) for each volatility class is shown.

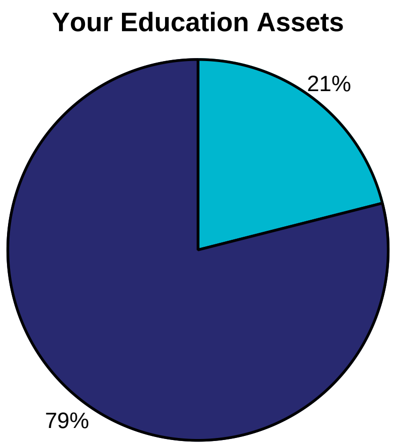


	Volatility Class	Initial Weighted-Average Yield[1]	Amount
	Very Conservative	**3.690%**	**£16,770**
	Conservative	**7.379%**	**£13,048**
	Moderate	**4.778%**	**£12,470**
	Aggressive	**4.441%**	**£55,649**
	Dynamic	**3.690%**	**£9,279**
	Total	**4.950%**	**£107,216**[2]

[1] Weighted-average yield for bonds is based on the coupon interest rate.
[2] Assets held for other purposes of £695,000 are not included.

Your Education Assets by Volatility

Volatility classes offer a risk/return view of the assets you have designated for education funding. The weighted-average yield (growth and income combined) for each volatility class is shown.



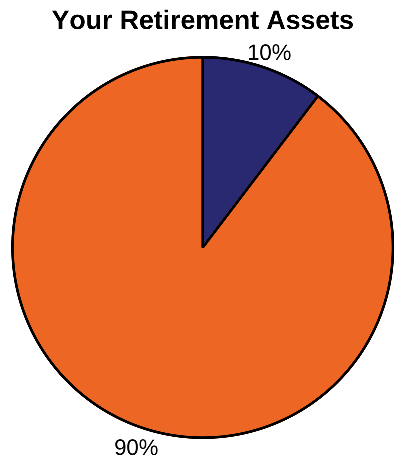
Volatility Class	Initial Weighted-Average Yield[1]	Amount
Very Conservative	**0.000%**	**£0**
Conservative	**6.000%**	**£560**
Moderate	**6.000%**	**£2,100**
Aggressive	**0.000%**	**£0**
Dynamic	**0.000%**	**£0**
Total	**6.000%**	**£2,660[2]**

You have 5 years until you need the education fund.

[1] Weighted-average yield for bonds is based on the coupon interest rate.
[2] This amount only includes education savings plans and investments designed for education funding.

Your Retirement Assets by Volatility

Volatility classes offer a risk/return view of the assets you have designated for retirement funding. The weighted-average yield (growth and income combined) for each volatility class is shown.



Volatility Class	Initial Weighted-Average Yield[1]	Amount
Very Conservative	**0.000%**	**£0**
Conservative	**0.000%**	**£0**
Moderate	**6.000%**	**£900**
Aggressive	**6.500%**	**£7,800**
Dynamic	**0.000%**	**£0**
Total	**6.448%**	**£8,700**[2]

You have 12 years until your designated retirement.

[1] Weighted-average yield for bonds is based on the coupon interest rate.
[2] This amount only includes approved retirement plans and investments designated for retirement.

Investments Profile & Allocation of Assets

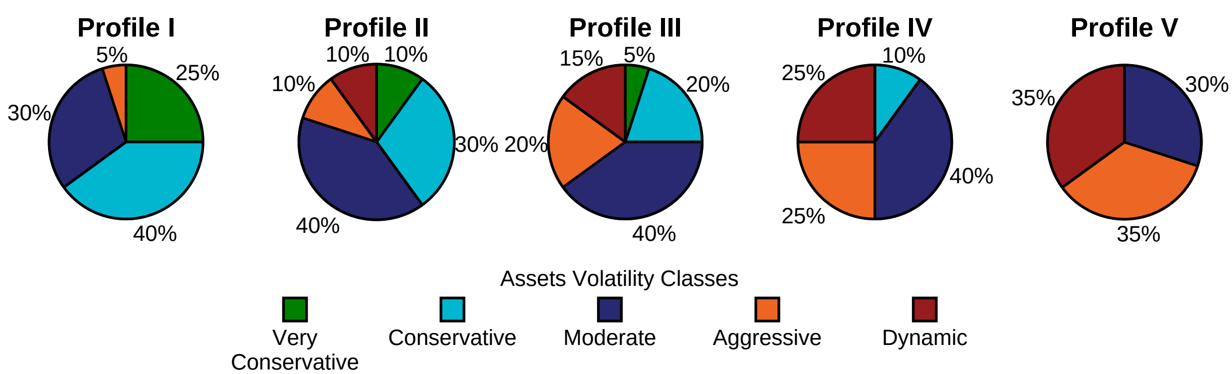
Often it is helpful to compare your investment portfolio with the portfolios of people with similar risk tolerances, investment objectives, and time frames. These "typical" portfolios are referred to as investment profiles.

Risk Tolerance
Risk tolerance is the relationship between the amount of risk you are willing to take to achieve the growth you desire. Your risk tolerance is unique.

Asset Allocation
Asset allocation is the process of trying to maximize your mix of investments based on your risk tolerance, your purpose, and your investment time frame.

Time Horizon
Time horizon is your investment time frame. A short time horizon makes you less able to withstand losses. It may limit the amount of risk that is prudent.

Investment Profiles
Your profile should reflect your objectives, your risk tolerance, and your time horizon. These five profiles illustrate various classes of assets by volatility. Profiles may also be considered on an investment style basis, especially for cash flow analysis.



Circumstances When Profile is Best Suited

ProfileI	Risk averse, short time horizon, safety and income very important
ProfileII	Slow and steady growth with emphasis on income and keeping what you have
ProfileIII	Balance between growth and income, limited time, not too many ups and downs
ProfileIV	Long-term growth, usually 10 + years, good returns, willing to accept risk
ProfileV	High level of risk while seeking high returns and growth over at least 10 years

Which profile best describes you?

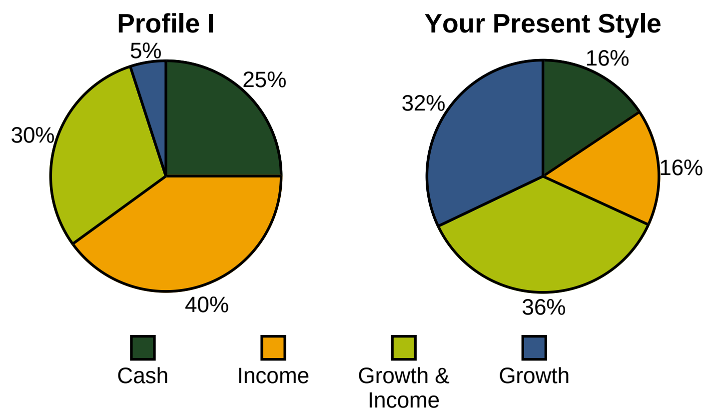
Do Your Investments Match Your Profile?

Risk tolerance is the relationship between the amounts of risk you are willing to take to achieve the growth you desire. Many factors based on the information you provided for this analysis must be considered when determining the best profile for you. Your risk tolerance is unique and the only way some preferences can be determined is by asking you various questions. (These questions and your answers are at the end of this section of your analysis.) Profile I seems to match most closely your risk tolerances.

Any changes in your investments should attempt to match your portfolio on both a volatility class basis and on an investment style basis.

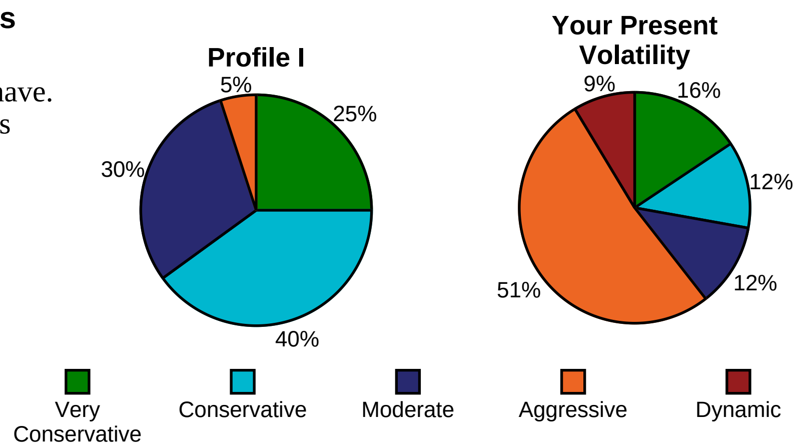
Investments By Investment Style

Profile I is the typical investment style of people who are risk averse and have time restrictions. Cash assets are maintained for emergencies. Emphasis is on income, not growth.



Investments By Volatility Class

People in Profile I are risk averse. Emphasis is on keeping what they have. Often, they have short time horizons and could not recover easily from losses.



Changes to your portfolio should consider the effects on cash flow (investment style) and the effects on your overall risk and expected returns (volatility).

Your Investment Risk Questionnaire Answers

Your Investment Risk Questionnaire helped determined your risk tolerances. Your answers, along with information such as age, net worth and assets available for investment were used to determine the investment profile that most closely matched your answers. It is important that you feel good about your investments.

Answers used to recommend an investment profile:

Your household's approximate gross annual income (before tax) is £101,088.

Your net worth (including your primary residence) is £709,216.

Your investment assets represent 15% of your net worth.

1. As a first time investor, you have yet to create a portfolio.
2. Your investment portfolio needs to provide an annual income of 7% or 8%.
3. You anticipate the first major use of your investment portfolio in 2 to 5 years.
4. Your primary investment goal is to generate long-term capital growth. You are not concerned about income from your investments.
5. In the next 5 years you think you may withdraw more than 20% of your portfolio.
6. If your portfoliio suddenly suffered a 20% loss you would immediately pull out of the portfolio and cut your losses.
7. Given a choice of these portfolios, you chose A (minimal risk with lower expected returns).
8. You evaluate and consider changing your investments monthly.
9. You defined your investment knowledge as being an expert investor.
10. You expect the before-tax return of your investment portfolio to be 4% to 6% over the long term (10+ years).

Based on the answers above and the other facts you have shared, it appears that you mostly closely match investment profile I. Investors in this profile generally are looking for risk averse investments, with safety and income being very important, since the time horizon is usually short.

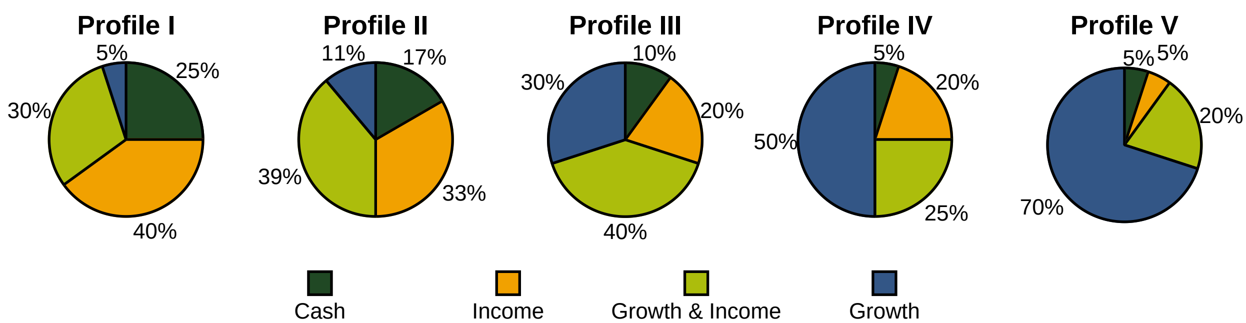
Compare Samples of Investment Profiles

Often it is helpful to compare your investment portfolio with the portfolios of people with similar risk tolerances, investment objectives, and time frames. These typical portfolios are referred to as investment profiles.

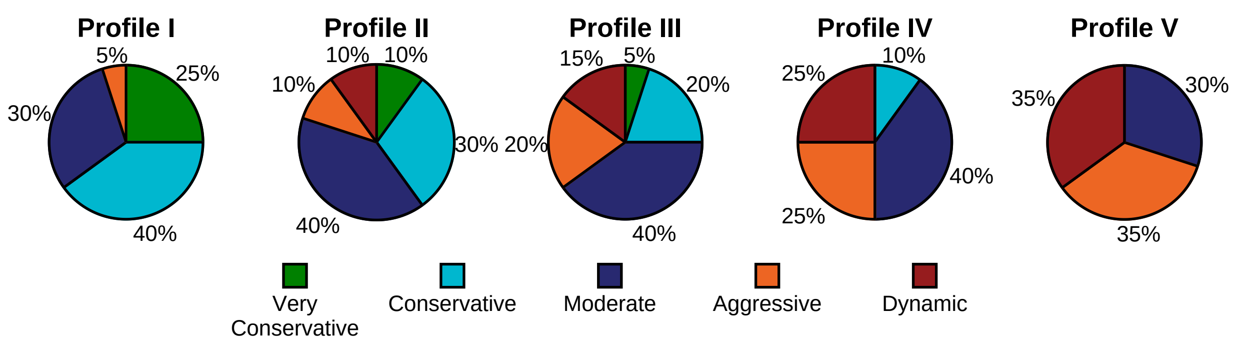
Items considered in each profile:

- Risk Tolerance
- Asset Allocation
- Time Horizon

Investment Profiles by Investment Style



Investment Profiles by Volatility Classes



Circumstances When Profile is Best Suited

Profile I	Risk averse, short time horizon, safety and income very important
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Profile IV	Long-term growth, usually 10 + years, good returns, willing to accept risk
Profile V	High level of risk while seeking high returns and growth over at least 10 years

8

Planning Assumptions

Assumptions used for this scenario referred to as .

No one knows the future or the exact sequence of events that may occur. Your plan is built on all of the facts you have shared, but it is still necessary to make various assumptions to illustrate your financial situation. You should be sure that you understand all of the assumptions listed here and that they correctly reflect your situation and desires. Assumptions appear with the section that are applicable. The following assumptions are of a more general nature and apply throughout your plan. Also, some assumptions required additional explanations.

Keith Patterson	Age: 48	Male	Born: 23 January, 1961
Kathryn Patterson	Age: 48	Female	Born: 23 January, 1961

Keith and Kathryn are married.

State Benefits

Keith is eligible for certain State Benefits. Keith's certain State Benefits are based on levels in today's terms increased by inflation. Keith plans to take State Benefits starting at age 65.

Kathryn is eligible for certain State Benefits. Kathryn's certain State Benefits are based on levels in today's terms increased by inflation. Kathryn plans to take State Benefits starting at age 65.

Ages and Events

Ages illustrated are based on the age as of the last birthday.

Calculation Date

The starting date for the calculations in this report is 30 June, 2009. Assets that were entered with a valuation date more than one month prior to this date have their value adjusted for appreciation to approximate the value of the asset on this calculation date.

Calendar Year Processing

Each year of the illustration ends with December. The current year will calculate from the month of the Calculation Date through December of that year.

Nature of Monthly Calculations

Calculations are made each month, based on the amounts available at the start of the month. No attempt is made to determine the exact date within a month various transactions occur.

Interest Rates and Earnings

Interest and earnings are credited for 1/12th of the annual amount requested for each month. This is for the purpose of helping to determine the applicable cash flow and does not represent a guarantee of this or any interest or earnings. All rates of return illustrated are hypothetical and are not associated with any particular investment product.

Insurance

The numbers produced by this analysis in no way guarantee the right to purchase life insurance in the amounts illustrated. If any new life insurance is illustrated, this presentation is not valid unless accompanied by a complete illustration of proposed policy values.

Final Expenses

Keith:
Final Expenses: £5,000

Kathryn:
Final Expenses: £5,000

Estate Assumptions

For the purposes of Inheritance Tax analysis, it is assumed death occurs to Keith at the end of the current year followed immediately by the death of Kathryn. Each client's estate is assessed individually at the time of death and jointly-held assets and liabilities are divided equally. The value of any assets jointly held with a third party are deemed part of the estate. Death benefits from pension plans are assumed to be held in trust and therefore not liable to Inheritance Taxation at the holder's death. However pension benefits transferred from Keith to Kathryn are considered part of the estate at Kathryn's death. Life insurance proceeds are paid to your named beneficiary and are considered part of the estate for Inheritance Tax purposes. This analysis incorporates the current Inheritance Tax Nil Rate band in its calculations.

Loans, Credit Cards, and Lines of Credit

Any form of credit illustrated is not a guarantee that such credit will be accepted by a lending institution. Different forms of credit may have a number of fees associated with various uses of the credit. Please consult the lending institution for details as well as all fees and rules for using that credit.

Restrictive Uses of Assets

Assets that are marked for restricted use will only be used to provide cash for that purpose.

Income Taxes

Income Tax Rates

Basic Income Tax Rate: 20%
Higher Income Tax Rate: 40%

Capital Gains Tax

Taxation on the gains from assets that are liable to Capital Gains Tax is deducted at the fixed rate of 18% in the year the asset is liquidated or sold. Liable gains on Investment Bonds are taxed at 20%. An individual's Annual Exemption amount is deducted from the total gains in any given year before Capital Gains Tax is applied. The current Annual Exemption amount is increased annually by the State Benefits inflation rate. Capital Gains Tax is not applied to the following asset types: Bank Accounts, Other Bonds (Government), ISAs PEPs TESSAs, Property – Main Residence, Savings (Cash Equiv.) and Venture Capital Trusts. Entrepreneur Capital Gains Tax relief is not applied.

Assumed Retirement

Retirement is assumed to be when Keith reaches, or would have reached, age 60. Any change you indicated in the basic living expenses is applied at that time.

General Inflation Rate

A general inflation rate of 3% is used for all basic living expenses and where indicated.

Education Payments

Education costs are stated as annual amounts but are assumed to be paid in 12 monthly payments. Payments are assumed to start in August of each year unless a specific starting date is stated.

Education Inflation Rate

An education inflation rate of 6% is used for all education funding expenses. Historically, the cost of education has experienced a rate different than the general inflation rate of all goods and services. Adjustments for the education inflation rate are made in January of each year.

Costs Associated with Long-Term Care

Estimated costs of long-term care are based on the average costs for a nursing home stay in the current county of residence (Unknown), adjusted for the current level of long-term care inflation rate. Basic living expenses are further adjusted as if disabled and any salary or retirement contributions are discontinued. (Estimated costs based on SAGA Cost of Care Report 2008 from Laing and Buisson.)

Discretionary Spending

For this illustration, it has been assumed that you will spend any excess money in your cash account in excess of £1,000. In addition, it assumes that any tax refunds are spent. "Sweeps" and all other transactions are processed prior to determining the amount of discretionary spending for each month.