Financial Strategies

A lifestyle report prepared for

Fred Alpert and Naomi Alpert

Presented by:
Joseph Davis, CLU, ChFC
For Evaluation Purposes Only
215 Broad St.
Charlotte, North Carolina 28262
Phone: 704-549-5555
Mobile Phone: 704-927-5555
Fax: 704-549-6666
Email: Joseph.Davis@Aol.com

Financial Services Corp.
Branch Office
10250 Red Rd.
Lexington, North Carolina 27292

Table of Contents

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 financial needs. It can serve as a guide for discussions with your professional advisors. The quality of this analysis is dependent upon the accuracy of data provided by you.

Each scenario shown illustrates your current situation or an alternative strategy and its possible effects on the financial situation you provided. Inclusion of one or more of these strategies does not constitute a recommendation of that strategy over any other strategy.

Calculations contained in this analysis are estimates only based on the information you provided, such as the value of your assets today, and the rate at which the assets appreciate. The actual values, rates of growth, and tax rates may be significantly different from those illustrated. These assumptions are only a “best guess.” No guarantee can be made regarding values, as all rates are the hypothetical rates you provided. These computations are not a guarantee of future performance of any asset, including insurance or other financial products.

No legal or accounting advice is being rendered either by this report or through any other oral or written communications. Nothing contained in this report is intended to be used on any tax form or to support any tax deduction. Unless indicated, the tax aspect of the federal Generation-Skipping Transfer Tax (GSTT) is not reflected. The GSTT is similar to an additional level of estate tax on certain transfers to grandchildren, or individuals two or more generations removed from the transferor. State laws vary regarding the distribution of property, and individual circumstances are unique and subject to change. You should discuss all strategies, transfers, and assumptions with your legal and tax advisors.

To implement a strategy, it may be necessary to restructure the ownership of property, or change designated beneficiaries before specific will or trust provisions, prepared by the client’s counsel, become effective. The transfer of a life insurance policy may not result in its removal from the estate of the prior owner for three years.

Strategies may be proposed to support the purchase of various products such as insurance and other financial products. When this occurs, additional information about the specific product (including a prospectus, if required, or an insurer provided policy illustration) will be provided for your review.

IMPORTANT: The projections or other information generated by this investment analysis tool (Financial Strategies) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.

IRS CIRCULAR 230 NOTICE: To ensure compliance with requirements imposed by the IRS, this notice is to inform you that any U. S. federal tax advice contained in this presentation is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed in this presentation.

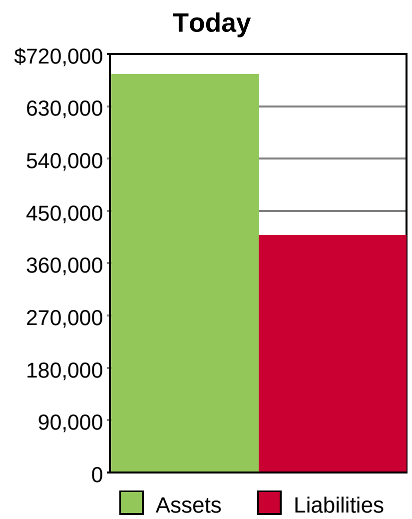
Your Assets and Liabilities Today

Your net worth is a financial "snapshot"—a balance sheet of your finances at a particular moment.

The following is a financial analysis balance sheet for Fred Alpert, age 37, and Naomi Alpert, age 35.

Net Worth Changes With Your Cash Flow

You receive incoming cash and make outgoing payments. The excess produces more assets and any shortage results in a decrease in assets. Of course, the value of your assets may grow. If you borrowed to provide needed cash flow, your liabilities increased. Cash flow affects your assets and your liabilities; therefore, net worth changes with cash flow.

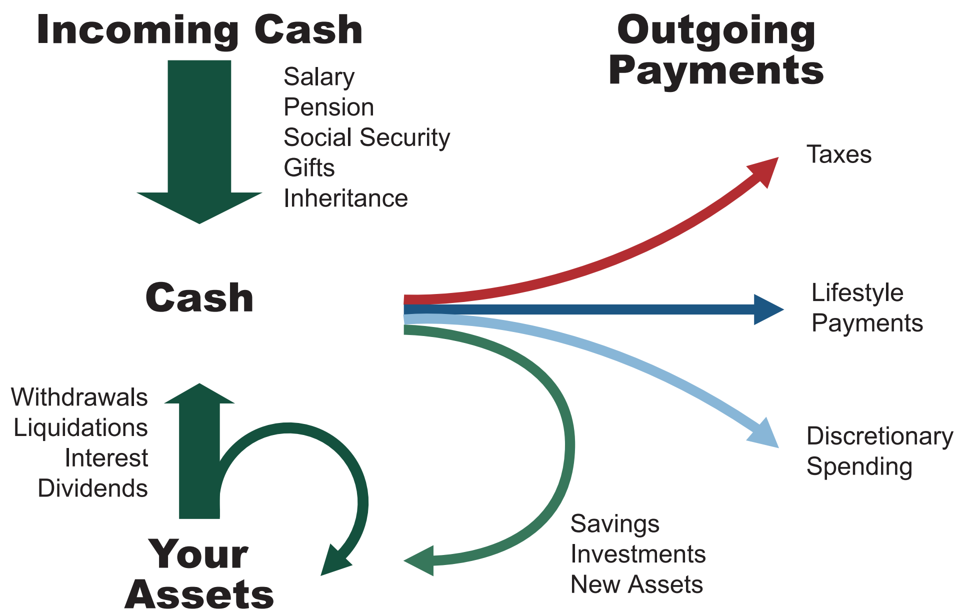


Assets	
Liquid Assets	$140,000
Retirement Plans	$35,000
Residence	$500,000
Educational Savings Plans	$15,000
Total Assets	**$690,000**
Liabilities	
Mortgages	$410,000
Total Liabilities	**$410,000**
Net Worth Today	**$280,000**

Your future net worth is determined by your cash flow.

Cash Flow

A careful review of your cash flow is at the heart of any effective financial planning. Money comes to you from both outside sources (such as salary) and inside sources (such as cash dividends from your assets). This money is used for outgoing payments or expenses, and you either spend or save any money that's left once your expenses are covered. When you're short, you either borrow money or use some of your assets.



If outgoing payments exceed expected income, a portion of your assets must be used (based on your priorities) to provide any additional amount needed.

Your Cash Flow Reflects Your Financial Lifestyle

- **Discretionary Spending**
  After all outgoing payments have been met each month, the portion of the money left over that is used for unspecified expenses
- **Shortfall**
  The portion of expenses that cannot be covered without the use of assets designated as "Do Not Use"

EXECUTIVE SUMMARY

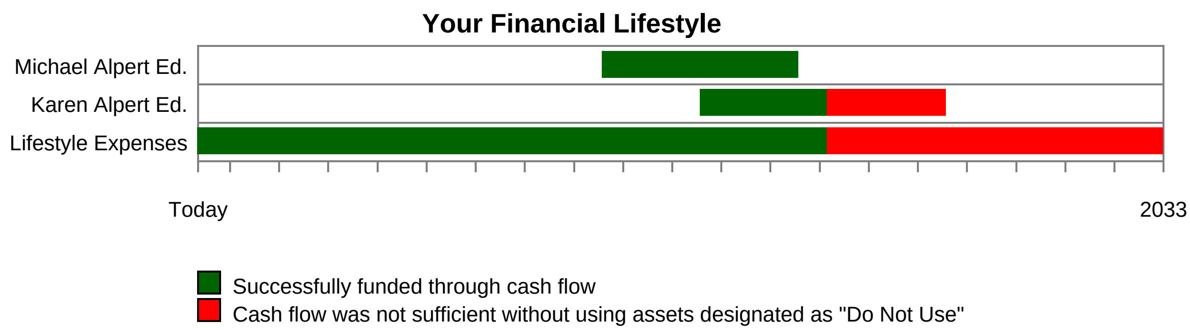
Cash Flow Used to Maintain Your Lifestyle

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
- 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 needs.

Note: A cash flow failure occurred in March of 2027 with assets designated as "Do Not Use" equal to $876,414.

1

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.

CONFIRMATION OF FACTS

Your Facts

Fred Alpert

Age: 37 **Male** **Born:** Sep. 28, 1976

Naomi Alpert

Age: 35 **Female** **Born:** Jul. 18, 1978

Fred and Naomi are married.

Home Phone: 656-555-1231

Business Phone: 656-555-8989

Mailing Address

566 Tulip St.
Charlotte, NC, 28250

Children and Dependents

Name	Date of Birth	Gender	Relationship	Dependent of
Michael Alpert	Jan. 25, 2004	Male	Child	Naomi, Fred
Karen Alpert	Mar. 25, 2006	Female	Child	Naomi, Fred

Salaries

Employer	Employee	Current Salary	Frequency	Inflation Rate
ABC Corp.	Fred	$12,000	Monthly	2.000%
Naomi's Dress Shop	Naomi	$6,000	Monthly	3.000%

Checking, Savings, CDs

Account Name	Owner	Current Balance	Balance As Of	Interest Rate	
Primary Checking	Naomi, Fred	$10,000	May 07, 2014	0.000%	This asset is the Cash Account
All Other Assets	Naomi, Fred	$80,000	May 07, 2014	3.000%	

Mutual Funds

					Rates		
Name/ Symbol	Owner	Account Balance	Balance As Of	Basis	Qual. Div.	Cap. Gains	App.
Joint Investment Acct.	Naomi, Fred	$50,000	May 07, 2014	$45,000	0.000%[1]	0.000%[1]	4.000%

Educational Savings

Name	Owner	Account Balance	Balance As Of	Growth Rate	Type
Michael's 529 Plan	Fred	$9,000	May 07, 2014	4.000%	529
Karen's 529 Plan	Fred	$6,000	May 07, 2014	4.000%	529

Retirement Plans

Name	Owner	Current Balance	Balance As Of	Growth Rate	Owner Contrib.	Employer Contrib.
Fred's 401k	Fred	$25,000	May 07, 2014	5.000%	2.000%	2.000%

IRAs

Name	Owner	Current Balance	Balance As Of	Growth Rate	Type
Naomi's IRA	Naomi	$10,000	May 07, 2014	5.000%	Deductible

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

Your Facts (Continued)

Residences

Primary Residence

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Naomi, Fred	$500,000	May 07, 2014	$500,000	2.000%

Personal Loan Secured by this Asset

Balance as of	Mortgage Balance	Payment	Frequency	Interest Rate
May 07, 2014	$410,000	$3,000	Monthly	5.000%

Life Insurance-Individual

Name	Insured	Owner	Beneficiary	Face Amount	Premium	Frequency	Cash Value
Fred's Life Policy	Fred	Fred	Naomi	$200,000	$100	Monthly	$0

Disability Insurance-Individual

Name	Insured	Owner	Monthly Benefit	Waiting Period	Benefit Period	Premium	Frequency
Fred's DI	Fred	Fred	$6,000	60 Days	Age 65	$200	Monthly

Essential Living Expenses

Description	Amount	Frequency	Tax Deductible[1]	Percent Continuing after First Death	Percent Continuing after First Disability	Percent Continuing after First Retirement
Joint General Living Expenses	$7,000	Monthly	No	100%	100%	80%

Education Expenses

Description	Amount	Frequency	Percent of Estimated Aid
Clemson University	$38,370	Annual	20%
UNC Chapel Hill	$14,036	Annual	0%

Debt

Liability Name	Owner	Payment Amount	Frequency	Current Balance	Balance As Of	Interest Rate
Loan for Primary Residence	Naomi, Fred	$3,000	Monthly	$410,000	May 07, 2014	5.000%

[1] Deductions for charitable contributions and medical/prescriptions are subject to limitations.

2

Financial Statements

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 Current Situation—Balance Sheet View

	Fred	Naomi	Joint	Total
Assets				
Liquid Assets				
Primary Checking			$10,000	$10,000
All Other Assets			$80,000	$80,000
Joint Investment Acct.			$50,000	$50,000
Retirement Plans				
Fred's 401k	$25,000			$25,000
Naomi's IRA		$10,000		$10,000
Residence				
Primary Residence			$500,000	$500,000
Educational Savings Plans				
Michael's 529 Plan	$9,000			$9,000
Karen's 529 Plan	$6,000			$6,000
Total Assets Today	**$40,000**	**$10,000**	**$640,000**	**$690,000**
Liabilities				
Mortgages				
Loan for Primary Residence			$410,000	$410,000
Total Liabilities Today			**$410,000**	**$410,000**

Net Worth

Your Assets	$690,000
Less Your Liabilities	$410,000
Total Net Worth Today	**$280,000**

Balance Sheet

Values at End of Year

	2014	2015	2016	2017	2018
Assets					
Liquid Assets					
Primary Checking	$10,336	$12,350	$17,141	$22,044	$27,038
All Other Assets	$81,614	$84,096	$86,654	$89,290	$92,006
Joint Investment Acct.	$51,325	$53,378	$55,513	$57,733	$60,043
Retirement Plans					
Fred's 401k	$29,738	$37,258	$45,274	$53,815	$62,908
Naomi's IRA	$11,142	$12,963	$14,913	$17,000	$19,231
Residence					
Primary Residence	$506,645	$516,778	$527,113	$537,655	$548,408
Educational Savings Plans					
Michael's 529 Plan	$9,643	$10,640	$11,676	$12,754	$13,875
Karen's 529 Plan	$6,564	$7,437	$8,345	$9,290	$10,273
Totals	$707,006	$734,899	$766,630	$799,582	$833,783
Liabilities					
Mortgages					
Loan for Primary Residence	$400,845	$384,516	$367,352	$349,310	$330,345
Totals	$400,845	$384,516	$367,352	$349,310	$330,345
Net Worth	**$306,161**	**$350,383**	**$399,278**	**$450,272**	**$503,438**

3

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
- Education for Michael Alpert
- Education for Karen Alpert
- Make payments on all loans

Assumptions

You have defined retirement as the date when Fred reaches age 65.

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.

- Primary Residence

Your Cash Flow Process

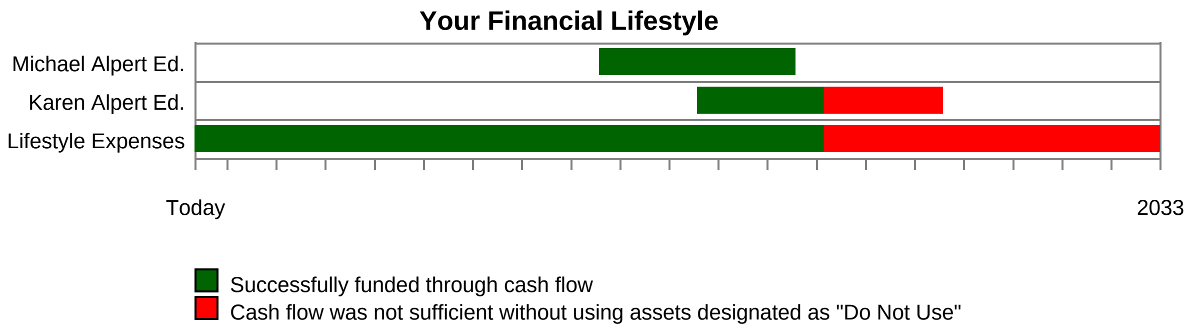
Cash flow is a simple, monthly process. You receive money from outside sources and deposit that money into your checking account. You use that account to pay your expenses and cover your lifestyle expenses. What you do not spend you save, invest, or use to purchase other assets. If your expenses exceed 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

Although your incoming cash can often exceed your outgoing payments, you might notice that there never seems to be much money left over at the end of the month. The reason for this might be that the excess money is being used for *discretionary spending*.



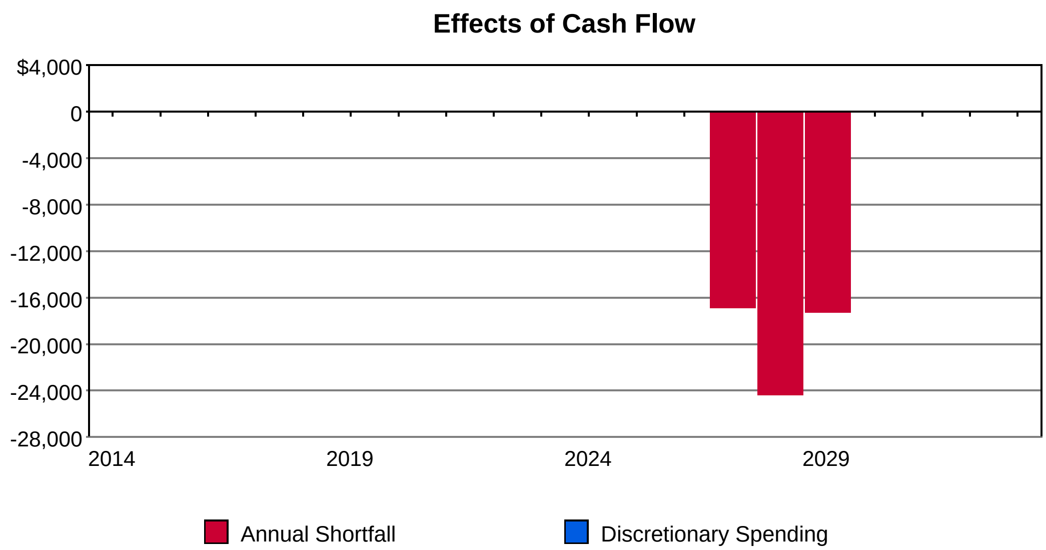
A cash flow failure occurred in March of 2027 with assets designated as "Do Not Use" equal to $876,414.

Your cash flow is insufficient. The value of the shortfall today invested at 5% is $29,558.

Evaluating Shortfall

The cash flow process determined that your plan was likely to experience a cash flow failure in year 2027. 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 $876,414 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.

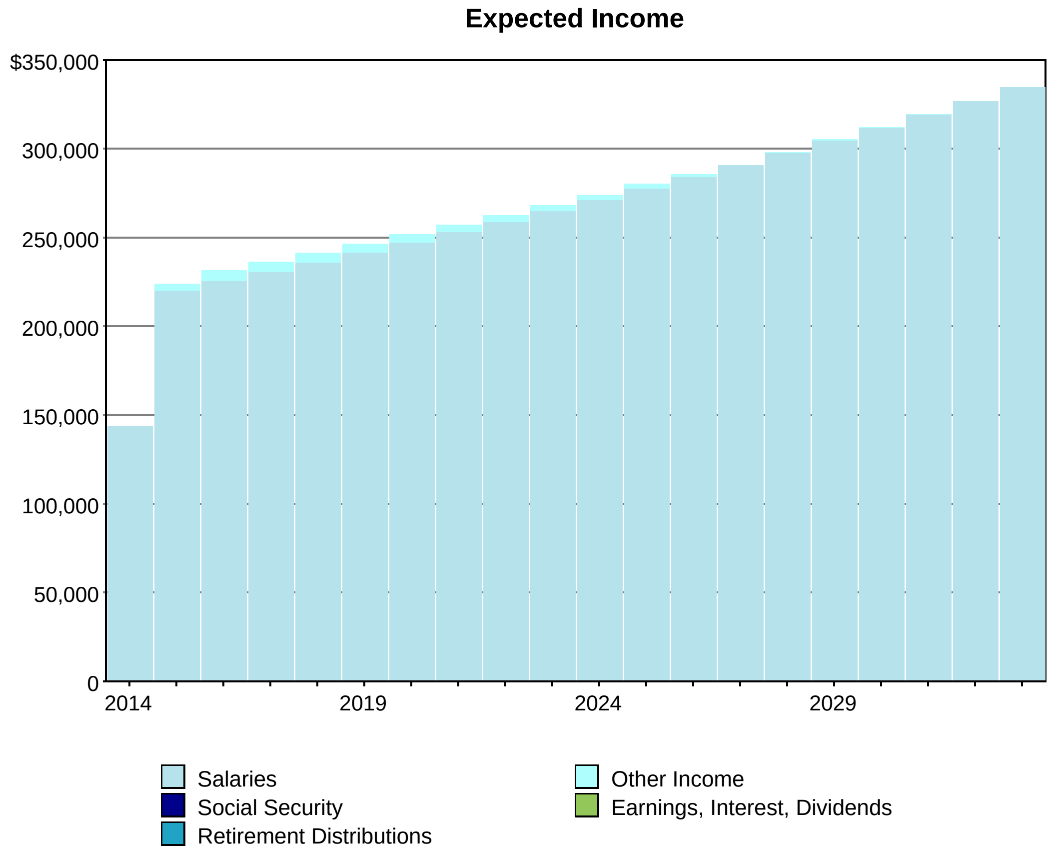
The use of some assets would cause a significant change in your lifestyle: such assets are marked "Do Not Use" or the desired use is indicated

Asset	Limit Uses to
Primary Checking	Unrestricted
All Other Assets	Unrestricted
Joint Investment Acct.	Unrestricted
Fred's 401k	Retirement
Naomi's IRA	Retirement
Michael's 529 Plan	Education
Karen's 529 Plan	Education
Primary Residence	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 March of 2027 with assets designated as "Do Not Use" equal to $876,414. 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.

Incoming Cash Expected

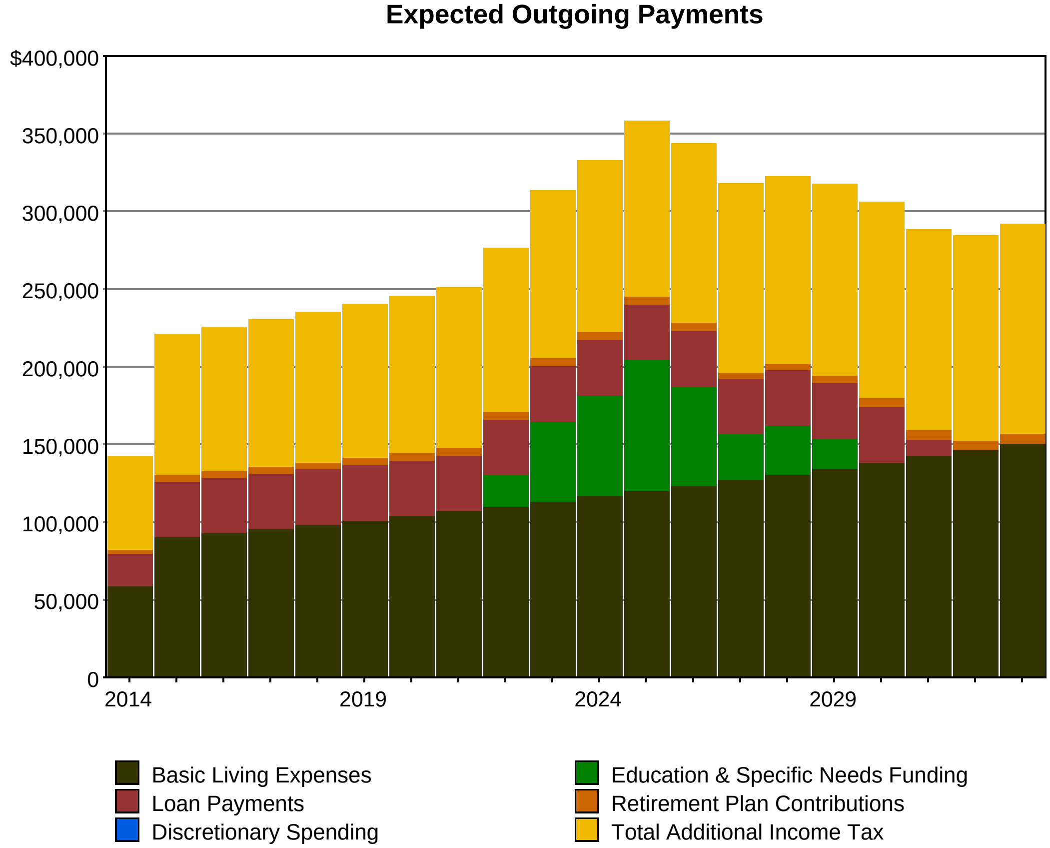
Incoming Cash Flow

Year	Salary	Other Income[1]	Social Security[2]	Earnings (Cash, Dividends)	Retirement Plan Distributions	Total Expected Income
2014	$144,000	$0	$0	$0	$0	$144,000
2015	221,040	3,861	0	0	0	224,901
2016	226,202	6,165	0	0	0	232,367
2017	231,490	5,810	0	0	0	237,300
2018	236,907	5,438	0	0	0	242,345
2019	242,455	5,049	0	0	0	247,504
2020	248,139	4,642	0	0	0	252,781
2021	253,962	4,215	0	0	0	258,177
2022	259,926	3,768	0	0	0	263,695
2023	266,037	3,301	0	0	0	269,338
2024	272,297	2,811	0	0	0	275,108
2025	278,711	2,570	0	0	0	281,281
2026	285,282	1,541	0	0	0	286,823
2027	292,014	0	0	0	0	292,014
2028	298,911	348	0	0	0	299,259
2029	305,979	777	0	0	0	306,756
2030	313,220	427	0	0	0	313,647
2031	320,640	175	0	0	0	320,815
2032	328,243	0	0	0	0	328,243
2033	336,033	0	0	0	0	336,033

A cash flow failure occurred in March of 2027 with assets designated as "Do Not Use" equal to $876,414. 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.

[1] Other Income includes any estimated tax refunds for the prior year.
[2] Benefits may be reduced for earnings from current work prior to full retirement age (FRA). FRA for Fred is age 67 and FRA for Naomi is age 67.

Expected Outgoing Payments



A cash flow failure occurred in March of 2027 with assets designated as "Do Not Use" equal to $876,414. Outgoing payments begin with compulsory expenses (such as taxes) 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 Withholdings[1]	Total Outgoing Payments
2014	$58,400	$0	$21,000	$2,720	$0	$60,744	$142,864
2015	90,120	0	36,000	4,174	0	91,393	221,686
2016	92,716	0	36,000	4,269	0	93,392	226,377
2017	95,389	0	36,000	4,368	0	95,440	231,197
2018	98,143	0	36,000	4,468	0	97,540	236,150
2019	100,979	0	36,000	4,571	0	99,691	241,241
2020	103,900	0	36,000	4,676	0	101,896	246,472
2021	106,909	0	36,000	4,784	0	104,155	251,849
2022	110,009	20,385	36,000	4,895	0	106,471	277,760
2023	113,201	51,860	36,000	5,008	0	108,844	314,913
2024	116,489	65,445	36,000	5,123	0	111,277	334,335
2025	119,876	84,915	36,000	5,242	0	113,770	359,802
2026	123,364	64,274	36,000	5,363	0	116,325	345,326
2027	126,957	29,938	36,000	4,019	0	122,525	319,438
2028	130,658	31,734	36,000	3,800	0	121,629	323,821
2029	134,469	19,622	36,000	4,655	0	124,381	319,128
2030	138,395	0	36,000	5,879	0	127,202	307,477
2031	142,439	0	10,993	6,016	0	129,984	289,433
2032	146,604	0	0	6,156	0	133,103	285,864
2033	150,895	0	0	6,300	0	136,000	293,194

A cash flow failure occurred in March of 2027 with assets designated as "Do Not Use" equal to $876,414. Outgoing payments begin with compulsory expenses (such as taxes) and continue through your discretionary spending.

[1] All payroll withholding taxes, including any FICA taxes, plus additional tax payments (income and capital gains tax). Refunds are shown as other income in the year received.

Net Adjustments for Cash Flow

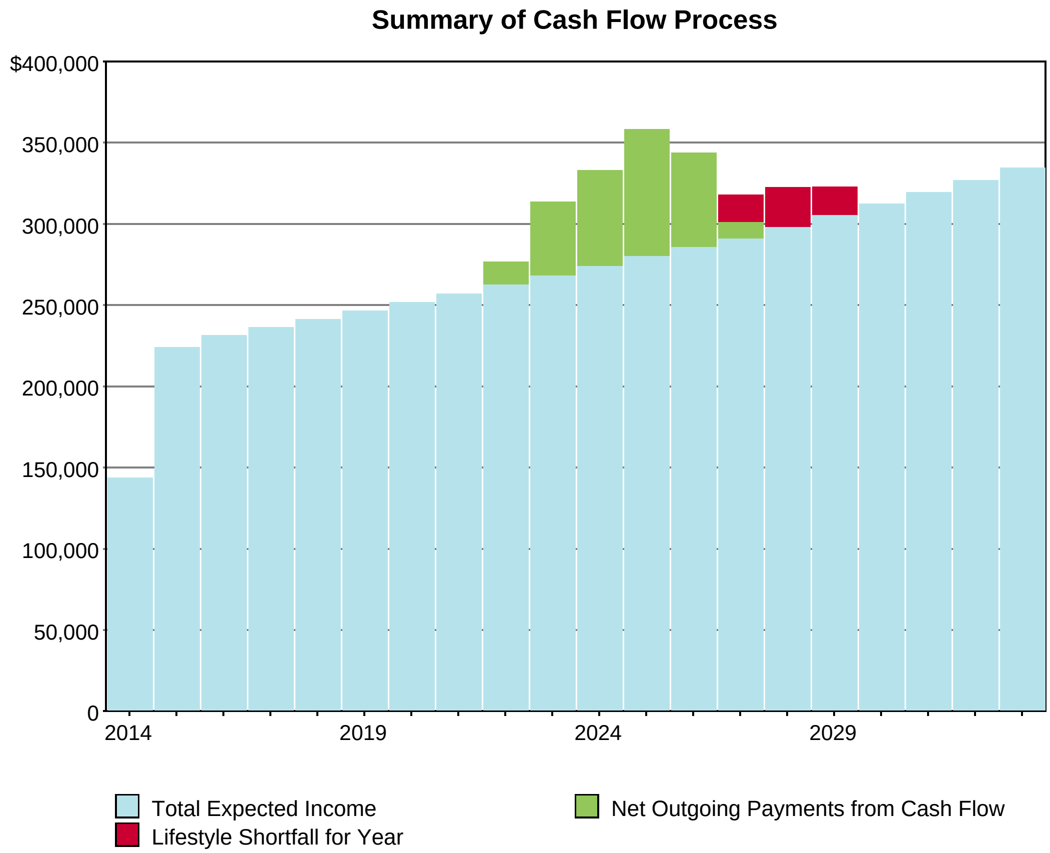
Net Adjustments for Year Based on Monthly Cash Flow

Year	Expected Income	New Loan Proceeds	Net Assets Used for Cash Flow	Annual Shortfall	Total Outgoing Payments
2014	$144,000	$0	$0	---	$142,864
2015	224,901	0	0	---	221,686
2016	232,367	0	0	---	226,377
2017	237,300	0	0	---	231,197
2018	242,345	0	0	---	236,150
2019	247,504	0	0	---	241,241
2020	252,781	0	0	---	246,472
2021	258,177	0	0	---	251,849
2022	263,695	0	14,065	---	277,760
2023	269,338	0	45,575	---	314,913
2024	275,108	0	59,226	---	334,335
2025	281,281	0	78,521	---	359,802
2026	286,823	0	58,503	---	345,326
2027	292,014	0	10,447	16,978	319,438
2028	299,259	0	0	24,562	323,821
2029	306,756	0	0	17,392	319,128
2030	313,647	0	0	---	307,477
2031	320,815	0	0	---	289,433
2032	328,243	0	0	---	285,864
2033	336,033	0	0	---	293,194

A cash flow failure occurred in March of 2027 with assets designated as "Do Not Use" equal to $876,414.

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
2014	$144,000	$142,864	$0	$707,006	$400,845	---	$306,161
2015	224,901	221,686	0	734,899	384,516	---	350,383
2016	232,367	226,377	0	766,630	367,352	---	399,278
2017	237,300	231,197	0	799,582	349,310	---	450,272
2018	242,345	236,150	0	833,783	330,345	---	503,438
2019	247,504	241,241	0	869,262	310,409	---	558,853
2020	252,781	246,472	0	906,051	289,454	---	616,598
2021	258,177	251,849	0	944,181	267,426	---	676,755
2022	263,695	277,760	14,065	963,166	244,271	---	718,894
2023	269,338	314,913	45,575	951,455	219,932	---	731,523
2024	275,108	334,335	59,226	926,776	194,348	---	732,428
2025	281,281	359,802	78,521	881,972	167,455	---	714,518
2026	286,823	345,326	58,503	855,852	139,185	---	716,666
2027	292,014	319,438	10,447	876,414	109,470	16,978	749,966[3]
2028	299,259	323,821	0	908,377	78,234	41,539	788,604
2029	306,756	319,128	0	947,507	45,400	58,932	843,175
2030	313,647	307,477	0	990,434	10,886	58,932	920,616
2031	320,815	289,433	0	1,060,223	0	58,932	1,001,291
2032	328,243	285,864	0	1,142,739	0	58,932	1,083,807
2033	336,033	293,194	0	1,227,528	0	58,932	1,168,596

A cash flow failure occurred in March of 2027 with assets designated as "Do Not Use" equal to $876,414.

Cash Flow Affects the Value of Assets

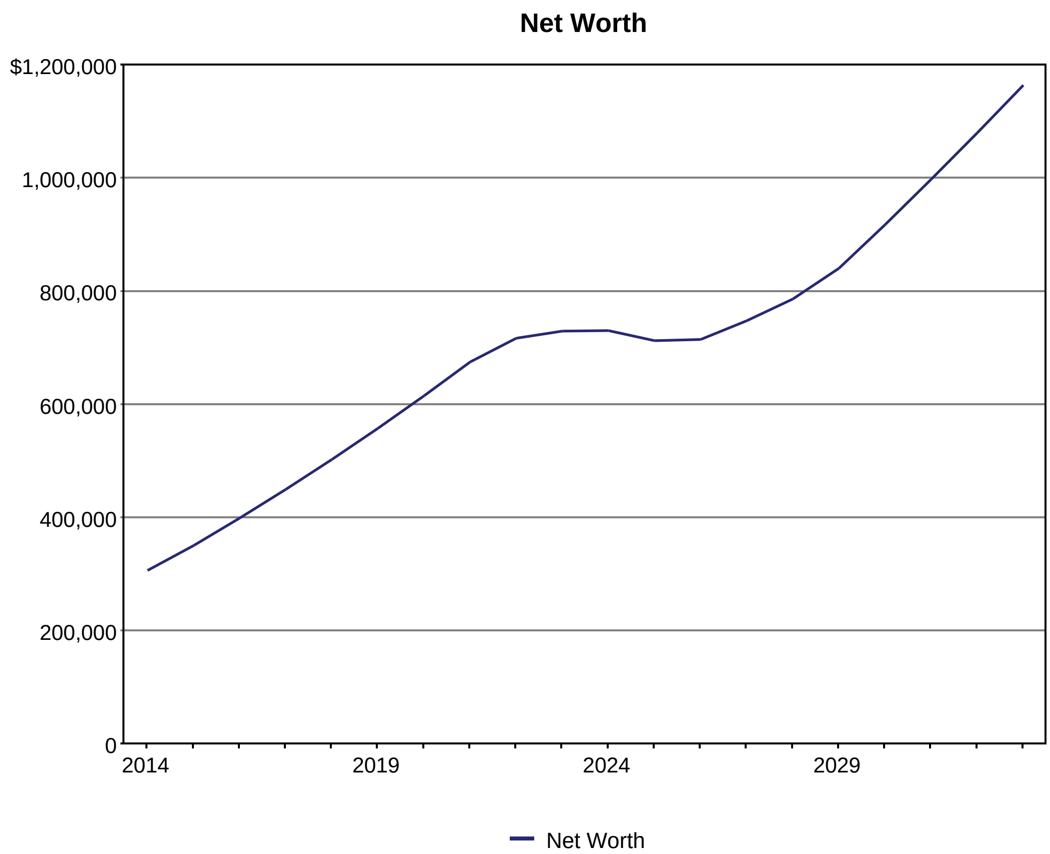
When Outgoing Payments exceed the Expected Income, existing assets must be used. If Expected Income exceeds Outgoing Payments then the surplus creates additional assets. These cash flow transactions are reflected in your assets. Net Worth is the difference in Assets and Liabilities.

[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".

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 March of 2027 with assets designated as "Do Not Use" equal to $876,414.

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 $29,558. 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 increasing your savings
- Look for more ways to save taxes

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 condominium 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 March of 2027.

The value of the shortfall today invested at 5%:	$29,558

The value of this shortfall represents a very small adjustment to your outgoing payments each month.

4

Debt Management

You can work for your money and pay interest or you can put your money to work and let it pay you interest.

Interest enhances your net worth when it's working for you. Compound interest is a key element in building your wealth. However, when interest is working against you, it can prevent your successful accumulation of wealth. Debt management is an essential aspect of any financial plan. Dollars not used for interest payments on debts can be saved and used to grow your wealth. The rewards for better debt management can easily double.

Managing Lifestyle Needs Using Debt

Good Uses of Debt

There are situations where debt is not only a necessity, but potentially smart. Debt can actually provide flexibility and convenience that can help you manage your money and provide for your lifestyle needs. Good uses of debt may include purchasing assets or financing an education. Other favorable uses of debt may include:

- **Purchasing a Home**
  Mortgages often finance the purchase of a residence. A mortgage often provides a means to purchase what for many people is their most important asset. Interest payments are usually tax deductible.
- **Purchasing an Appreciating Asset or Investment**
  Debt may make it possible for you to acquire an appreciating asset or investment. Leverage for economic gain is possible when the interest rate for the debt is less than the appreciation rate of the asset. Interest payments may be tax deductible depending on the type of asset purchased and type of loan used. Leveraged investments have an additional risk of interest rate changes.
- **Investment in Education**
  Through student loans and other low interest loans, debt makes funding education more affordable. The interest rates on student loans are often below average interest rates, and interest payments are often tax deductible.

Bad Uses of Debt

Bad uses of debt can be the biggest obstacle for achieving your desired lifestyle. Debt that spirals upward because of high interest charges and poor purchase decisions can strain monthly cash flow. Large interest payments perpetuate the debt and can consume the cash flow necessary to maintain your lifestyle and to accomplish your goals. Bad uses of debt include:

- **Using Credit Cards to Pay for Lifestyle Needs**
  Credit cards are convenient and helpful when the balance is paid in full each month. Credit cards let you pay for todays lifestyle expenses with future cash flow–but its expensive! For example, if you have a credit card with an annual percentage rate of 15%, $100 worth of groceries can really cost $115 if the debt is not paid in a timely manner.
- **Using Credit Cards to Pay Credit Cards**
  Credit cards are not the best way to pay other credit cards that have become a problem. Instead of paying down high interest charges, it compounds your debt–the problem gets worse, not better. Your total monthly payments and payoff amounts increase when you use credit cards to pay credit card debt.
- **Using Credit Cards with High Interest Rates that are Not Tax Deductible**
  Debt with a high interest rate has a negative effect on your cash flow and lifestyle. Interest payments that are not income-tax deductible raise the overall effective cost of the debt.

All debt, good and bad, must be analyzed together for proper debt management. Better debt management means better cash flow and better financial planning.

Analyzing Your Debt

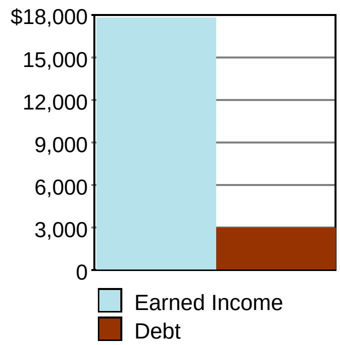
The effective use of debt can enhance your financial plans. Debt management starts with examining your existing debt. You should examine each individual debt as well as your total, overall debt. Total debt is often analyzed by comparing earned income to debt payments.

Debt

Existing

Name	Balance	Date of Balance	Interest Rate	Payment	Frequency	Maximum Credit
Loan for Primary Residence	$410,000	May 07, 2014	5.000%	$3,000	Monthly	n/a
Total	**$410,000**			**$3,000**	**Initial Monthly[1] Amount**	

Monthly Earned Income vs. Monthly Debt Payment



Finding the Right Ratio of Debt and Income

Total Monthly[1] Debt Payments	$3,000
Total Monthly[1] Earned Income	$18,000
Debt-to-Earned Income Ratio	**16.67%**

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 2014, you expect no other income other than salary.

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.

Summary of Individual Debts

Loan for Primary Residence

Balance	Date of Balance	Interest Rate	Payment	Frequency	Interest Deduction
$410,000	May 07, 2014	5.000%	$3,000	Monthly	Tax-Deductible

Loan Schedule

Year	Annual Payments	To Interest	To Principal	Ending Balance
2014	$21,000	$11,845	$9,155	$400,845
2015	36,000	19,671	16,329	384,516
2016	36,000	18,836	17,164	367,352
2017	36,000	17,958	18,042	349,310
2018	36,000	17,035	18,965	330,345
2019	36,000	16,064	19,936	310,409
2020	36,000	15,045	20,955	289,454
2021	36,000	13,972	22,028	267,426
2022	36,000	12,845	23,155	244,271
2023	36,000	11,661	24,339	219,932
2024	36,000	10,416	25,584	194,348
2025	36,000	9,107	26,893	167,455
2026	36,000	7,731	28,269	139,185
2027	36,000	6,284	29,716	109,470
2028	36,000	4,764	31,236	78,234
2029	36,000	3,166	32,834	45,400
2030	36,000	1,486	34,514	10,886
2031	10,993	107	10,886	0

Managing Your Debt

Debt management starts with developing a strategy. The first step in developing a winning strategy is to examine your expenses and form a budget in order to cut spending. Next, consider consolidating bad debt into a loan with a lower interest rate that fits your budget.

Common Strategies for Managing Debt

Cut Spending and Stop Borrowing
Reducing your spending can provide the money to pay off your debt–provided you don't continue to add new debt.

Manage Your Debt-to-Earned Income Ratio
Periodically use the debt-to-earned income ratio as a gauge to determine if you need to take additional action.

Pay off the Right Debt First
Your first goal should be to pay off debt with the highest effective cost. In order to determine the effective cost of a debt, consider the interest rate on the debt and whether it is tax deductible.

Consolidate Bad Debt into Better Debt at Lower Rate
In addition to interest rate, you must consider the term of the new debt, any fees required, and most importantly, how the payments fit your budget.

Ways to Consolidate Debt

If you own your home use a home equity loan or home equity line of credit
These generally offer interest rates that are lower than credit cards, and interest payments are generally tax deductible.

If you don't own your home restructure your debts
Many financial institutions will work with you to restructure your debts at lower rates and over longer terms. Budget and discipline are key factors in reducing your debt over time.

5

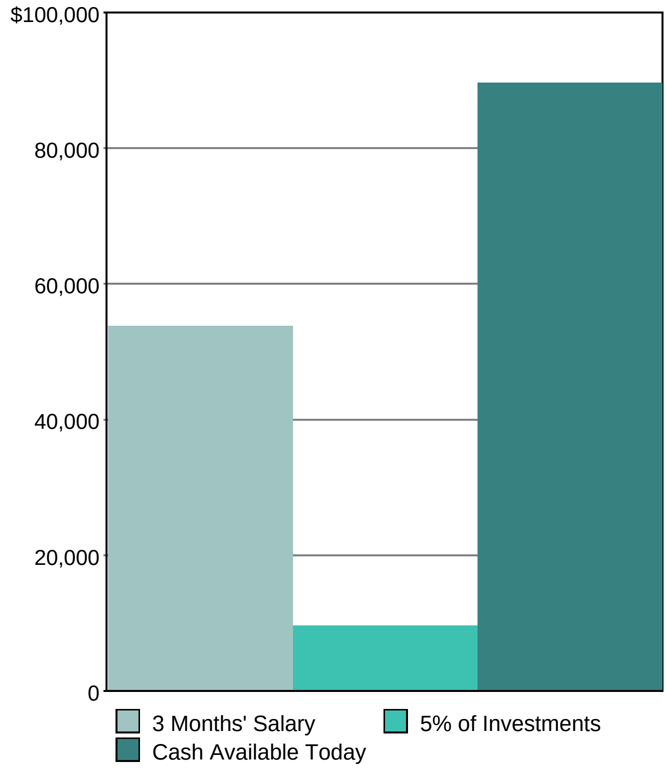
Emergency Funds

Planning for the unplanned need

Unexpected and unplanned situations, often requiring cash, will occasionally occur. Are you financially prepared for these small emergencies? Could a small emergency have a big effect on your cash flow? Protecting your financial plans starts with planning for the unexpected.

Emergency Funds

Your cash flow is an essential portion of any financial plan. When cash flow is not sufficient, assets must be sold or funds borrowed. The key to cash flow is having sufficient cash to cover any unexpected need.



Proper planning means that you build your plan to work even when unplanned events occur. These unexpected emergencies usually require cash. One way to prepare for unplanned events is to maintain cash reserves. The standard recommendation by financial services professionals is to have cash reserves for emergencies of between three months salary and 5% of your investment.

Funds Available for Emergencies

Checking, Savings, CDs

Account Name	Owner	Current Balance	Interest Rate
Primary Checking	Naomi, Fred	$10,000	0.000%
All Other Assets	Naomi, Fred	$80,000	3.000%

6

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

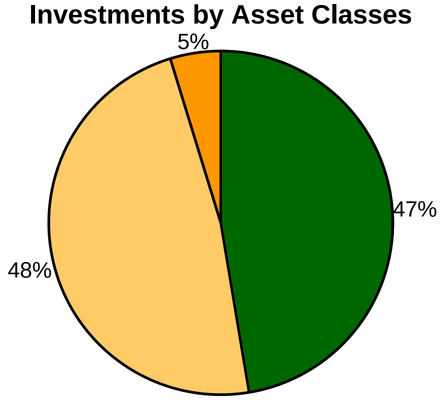
Volatility classes are groups of investments that have similar risk and return relationships and respond to economic market situations similarly.

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.

Investments by Asset Classes

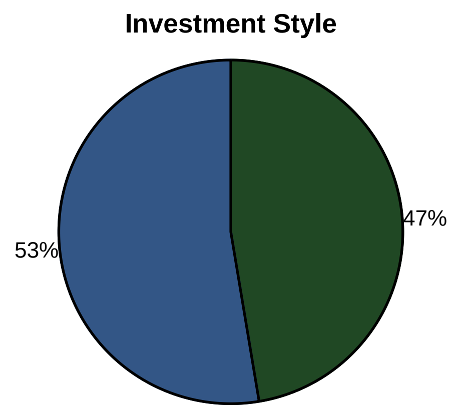


Asset Class	
Savings Cash, savings	**$90,000**
Large Company Stocks U.S. large cap growth or value, S&P 500	**$91,000**
Small Company Stocks Small and mid cap stocks, closely held, Nasdaq	**$9,000**
Total	**$190,000**[1]

[1] Assets held for other purposes of $500,000 are not included.

How It Works

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



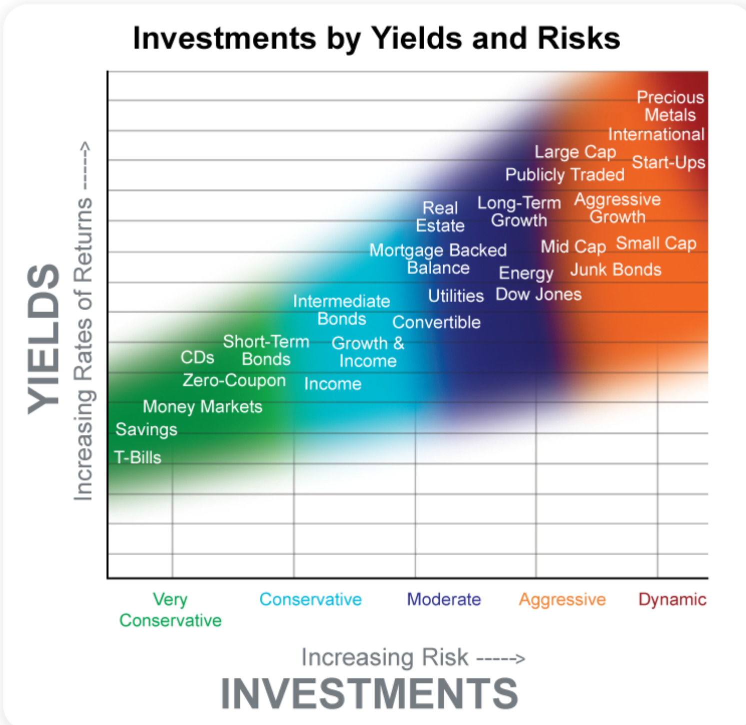
Investment Style

Cash	Cash assets can be converted to cash in a short time (days or a few weeks) with little or no loss in value.	**$90,000**
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.	**$0**
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.	**$0**
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.	**$100,000**
Total		**$190,000**[1]

[1] Assets held for other purposes of $500,000 are not included.

Analyzing 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

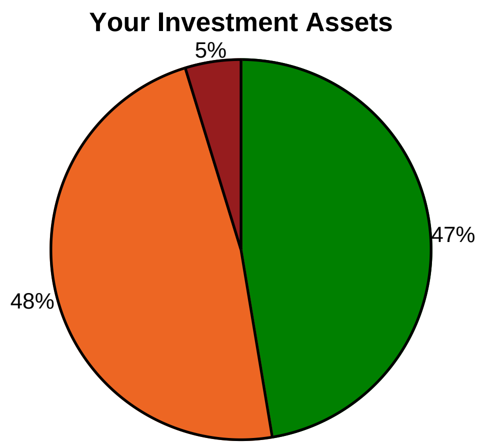
The volatility class *Dynamic* usually has high yields, but also may vary greatly from year to year. Some years may even have losses.

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.

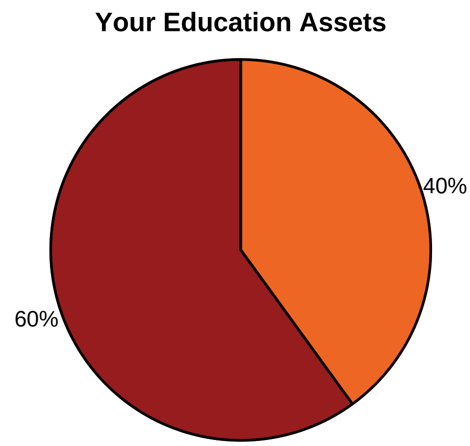


Volatility Class	Initial Weighted-Average Yield	Amount
Very Conservative	**2.667%**	**$90,000**
Conservative	**0.000%**	**$0**
Moderate	**0.000%**	**$0**
Aggressive	**4.385%**	**$91,000**
Dynamic	**2.667%**	**$9,000**
Total	**3.553%**	**$190,000**[1]

[1] Assets held for other purposes of $500,000 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	Amount
	Very Conservative	**0.000%**	**$0**
	Conservative	**0.000%**	**$0**
	Moderate	**0.000%**	**$0**
	Aggressive	**4.000%**	**$6,000**
	Dynamic	**0.000%**	**$9,000**
	Total	**4.000%**	**$15,000**[1]

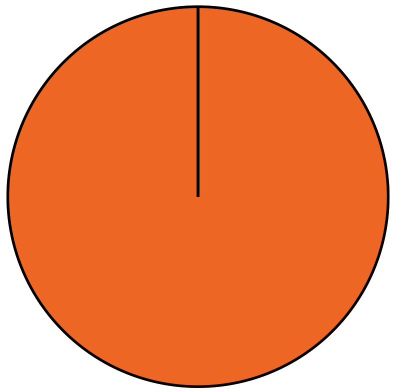
You have 10 years until you need the education fund.

[1] 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.

Your Retirement Assets



Volatility Class	Initial Weighted-Average Yield	Amount
Very Conservative	0.000%	$0
Conservative	0.000%	$0
Moderate	0.000%	$0
Aggressive	5.000%	$35,000
Dynamic	0.000%	$0
Total	**5.000%**	**$35,000[1]**

You have 27 years until your designated retirement.

[1] This amount only includes approved retirement plans and investments designated for retirement.

Investments Profile & Allocation of Assets

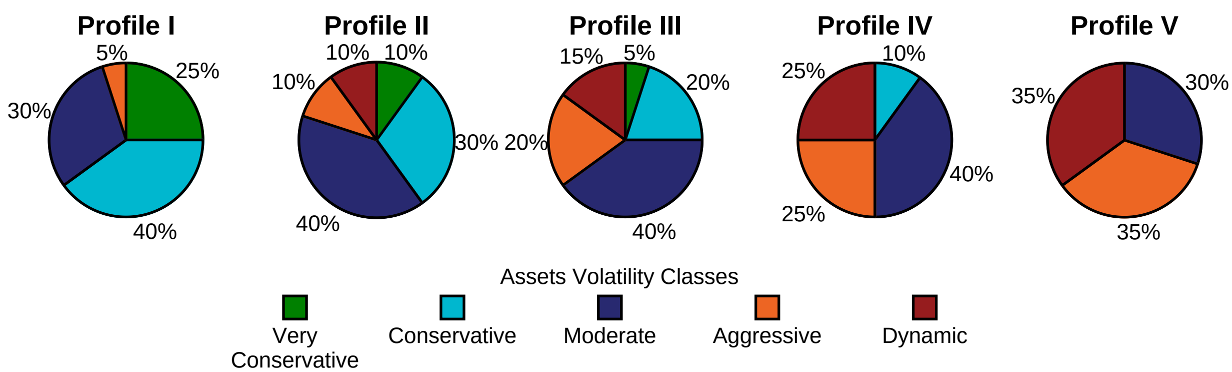
Often it is helpful to compare your investment portfolio with the portfolios of people with similar risk tolerances, investment objectives, and time frames. These "typical" portfolios are referred to as investment profiles.

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?

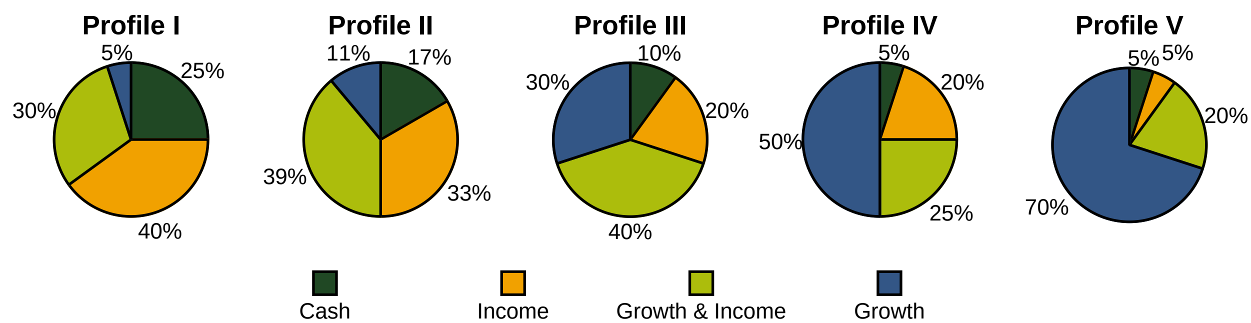
Compare Samples of Investment Profiles

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.

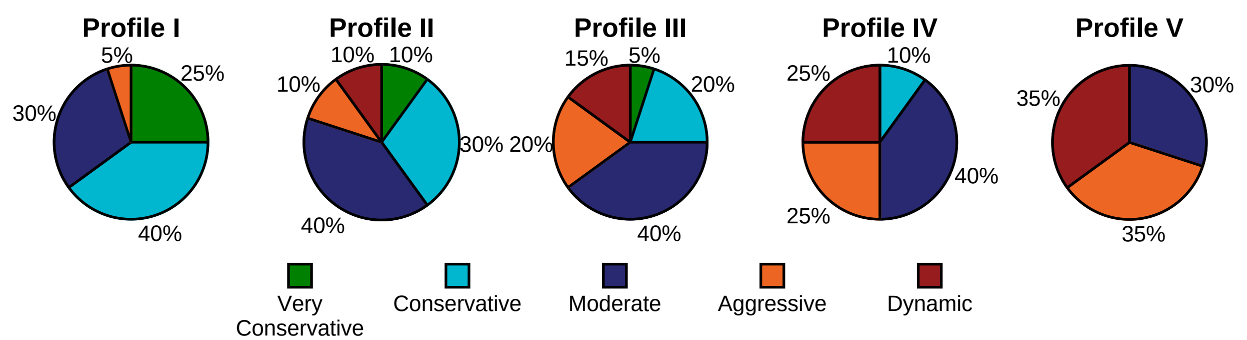
Items considered in each profile:

- 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
Profile II	Slow and steady growth with emphasis on income and keeping what you have
Profile III	Balance between growth and income, limited time, not too many ups and downs
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

Four Stages of Planning

Now Through the Future

Lifestyle Expenses

Everyone has their personal lifestyle expenses – those expenses that must be met first for you to live your lifestyle. These expenses usually cover the essentials such as food, shelter and clothing, but may also include your transportation needs, and other items that you have become accustomed to. Determining if you can maintain your personal lifestyle is the first and most important step in the planning process.

Protection Planning

As you accumulate items, especially those items that allow you to maintain your lifestyle, you want to protect them. You protect your home and possessions from fire and theft. You protect your car from accidents. You may protect your salary in the event that you become ill or disabled. Usually the first dollars you spend after providing for your basic lifestyle expenses are for protecting those things that make your lifestyle possible.

Basic Savings

After maintaining and protecting your lifestyle, you begin saving for the future. It is recommended that savings start with accounts that are very safe and secure. Although it is not possible to predict exactly how your savings will grow, or if they grow at all, earnings on savings usually vary with the level of risk – the lower the risk, the lower the earnings or returns. Basic savings should consider safety first, and then the returns.

Long-Term and Equity Investments

After basic savings have been established and you have a comfortable cushion, you may consider long-term investments that offer the possibility of larger returns, but have higher levels of risk. Equity investments usually consist of stocks, mutual funds, and real estate. Although these types of investments may go up in value they may also go down in value. Long-term and equity investments are best when you do not anticipate needing them for a number of years.

Managing Investment Risk

Whether you're dedicated to planning for retirement, saving for a child's college education, or leaving a legacy for your heirs, identifying where you want to be in the future is the basis for determining how you plan to get there. When it comes to pursuing long-term goals, we all face similar challenges. For every investor, inflation and risk are two important issues that, if ignored, could hamper your ability to achieve financial success.

- **Inflation**—Inflation is the gradual increase in the cost of goods and services over time. Even a seemingly low inflation rate of 4% will erode the value of your assets by half over 15 years.
- **Risk**— Different types of investments, including stocks and bonds, have provided different returns over various times. Stocks may perform better one year, while bonds may provide superior returns the next. Stocks are considered riskier investments than bonds. However, over the longer time periods, stocks historically have provided investors with returns that have significantly outpaced inflation.

Investment Considerations

Before making any investment, you need to consider the risks that may accompany that investment. The following considerations should be taken into account before moving ahead with your investment strategy:

- Marketability
- Liquidity
- Diversification
- Tax Management
- Rate of Return
- Interest Rate Risk

Dollar-Cost Averaging

Dollar-cost averaging is a popular technique of investing a fixed dollar amount at set intervals.

Dollar-cost averaging provides two major benefits to most investors:

- **Reduce Investment Risk**— By investing gradually over time, dollar-cost averaging reduces the risk of a sudden downturn in the market.
- **Systematic Investment Plan**— The biggest problem that most investors face is not investing! After paying their general living expenses each month, many investors don't have a sizable lump sum left over to invest. Dollar-cost averaging provides a systematic plan to build that nest egg little by little through monthly contributions.

How does it work?

You invest the same amount of money each month, quarter, or desired period. By spreading your investment contributions out over time, you don't face the risk of investing all of your money as a lump sum and the market falling. This means you automatically buy more shares when the price is low and fewer shares when the price is high, thus decreasing your average price per share. When the price is low, your dollars buy more for the same money.

Dollar-Cost Averaging vs. Lump Sum Investing

Lump sum investing is making your investment contributions all at once. Lump sum investing has a higher market risk, because the market could fall after your investment contribution. However, because prices tend to rise in the long run, this leads to greater gains than does dollar-cost averaging. If you feel that the market is going to rise, then lump sum investing often produces the biggest gain but with a greater risk. Alternatively, dollar-cost averaging provides a systematic way to invest and may diminish the return and risk of the plan.

7

Protecting Assets

Protect the assets that make your lifestyle possible.

As you accumulate items, especially those items that allow you to maintain your lifestyle, you want to protect them. You protect your home and possessions from fire and theft. You protect your car from accidents. You may protect your salary from becoming ill or disabled. Usually the first dollars you spend after providing for your basic lifestyle expenses are for protecting those things that make your lifestyle possible.

Protecting Your Assets

Homeowner's Coverage

- **Insurance coverage is provided on the dwelling itself**
  The dwelling should be insured for the estimated cost of rebuilding it on its present site. The insured value may well exceed the appraised market value. The insured value should be reviewed and updated annually.
- **Your homeowner policy provides some, but limited coverage for personal property such as garages, outbuildings, jewelry, art, silver, antiques, collectibles, etc.**
  Outbuildings are usually limited to 10% of the house value. Be sure these items are covered for their full replacement value. A schedule with the appraised values can be added to your policy.
- **Personal liabilities at your home up to the policy limits**
  Personal liability may risk all of your assets as there is no limit to the potential cost. Coverage is usually recommended at the $2,000,000 level with additional protection through an umbrella policy.

Automobile Coverage

- **Liability coverage**
  Your risk has no limit. It is recommended that the minimum coverage required to secure an umbrella policy be carried, usually $300,000.
- **Collision coverage**
  Coverage should be based on the current value of the car. Older cars may not be worth the cost of insuring them as no claim will pay more than the car is worth, less any deductibles applicable.
- **Professional help**
  Due to many discounts and various combination rates, you want to ensure you are getting all of the discounts for which you may be entitled: safe driving discounts, multiple car discount, anti-theft devices, air bags, etc. Be sure that bargains are not the omission of needed coverage such as underinsured and uninsured motorists coverage.

Personal "Umbrella" Coverage

- **Liability coverage that picks up where homeowner and automobile coverage stop**
  The usual recommendation is for $1,000,000, but due to the high court settlements these days, many people feel that larger amounts are necessary. Policies usually require high coverage on your homeowner and automobile policies.

Protecting Your Assets (Continued)

Medical Coverage

- **Major medical limits**
  Medical expenses are one of the fastest increasing expenses today. Minimum coverage is usually considered $1,000,000.
- **Internal policy limits**
  The cost of services differs greatly with geographic location. Be sure your limits are based on the customary and usual charges in your area. This is often the source of large gaps.
- **Stop/Loss provisions**
  This is the total amount of out-of-pocket expense that you must pay in a year. Once you reach this amount, 100% of the expenses are paid for the balance of the year.
- **Deductibles and co-pays**
  The lower the deductibles and co-pays, the higher the premiums. Often you may have substantial savings by increasing the deductible and/or co-pay.
- **Supplemental policies**
  Policies are available that are intended to supplement your medical insurance coverage. These policies often relate to accidents, cancer, and heart attacks. These should always be considered supplemental to your medical coverage and never used as your primary coverage.
- **Emergency funds**
  You should be sure that your emergency funds–cash set aside for unplanned or unexpected expenses–are sufficient to cover your deductibles, co-pays, and stop/loss amount.
- **Employer group coverage**
  Often the provisions of your medical coverage are decided by your employer who is providing your medical coverage. Be sure that you are familiar with all of its provisions so that you can supplement it as necessary and determine the proper amount of emergency funds.

Adequate general insurance protection is necessary to protect those assets that are essential to maintaining your lifestyle.