

# A Financial Profile



Especially Prepared For:  
**John and Jane Smith**

By: Russell Johnson

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# Important Note...

**What this material is intended to be:**

This illustration is based on the information you provided with regard to your financial needs and objectives. It is intended to provide only broad hypothetical guidelines and information which may be helpful in making decisions about financial products and services available that may help meet those needs and objectives. You should understand that your actual experience will differ from this analysis.

**What it is not intended to be:**

It is not intended to be investment advice or a projection of future investment performance. The projections or other information generated by Profiles Professional by Emerging Information Systems (USA), Inc. (the software used to create this analysis) regarding the likelihood of various investment outcomes are hypothetical in nature. It is not a projection of future inflation rates or the state of the world or domestic economy. It is not a guarantee that your objectives will be reached. Although this illustration may contain income tax calculations and legal concepts, it does not constitute tax or legal advice. The application of some concepts may be considered practicing law and should, therefore, be handled by an attorney, while other concepts may require the guidance of a tax or accounting advisor. As tax laws change, so may conclusions reached by this report. Therefore, you should have this report reviewed and regularly updated.

**Certain assumptions were made:**

In creating the illustration certain assumptions were made with respect to investment returns, the economy, and your situation. The reports and graphics included are directly dependent on the quality and the accuracy of the data and assumptions furnished by you. A key group of assumptions are the rates of returns for the assets illustrated in this analysis - also furnished by you. The illustrated asset growth from all assumed returns is simply an estimate - it is not a projection and not a guarantee. The value of investments will vary. They may be worth more or less than your original investment when you begin withdrawals.

In this analysis, eligible accounts were subjected to simulated rebalancing calculations on an annual basis causing the overall asset allocation of your hypothetical portfolio to avoid the typical drift toward an ever increasing stock position. Additionally, one or more reallocations were simulated in this analysis. To accomplish the calculations, withdrawals were made and new assets purchased in one or more accounts in an attempt to align the portfolio allocation with the desired allocation. The hypothetical return for any purchased asset was calculated each year using the weighted average return of asset classes which comprise the asset's allocation. Where future rates of return and transactions are assumed, this analysis does not reflect the income taxes, fees and charges associated with investments, which would reduce the results.

You are encouraged to review and consider performance information, which you can request from your investment professional, for the mutual funds and other securities that may be referenced in this material when assuming any future rates of return. Keep in mind that past performance is not a guarantee of future results. **A current prospectus must be read carefully when considering any investment in securities.**

**A final word:**

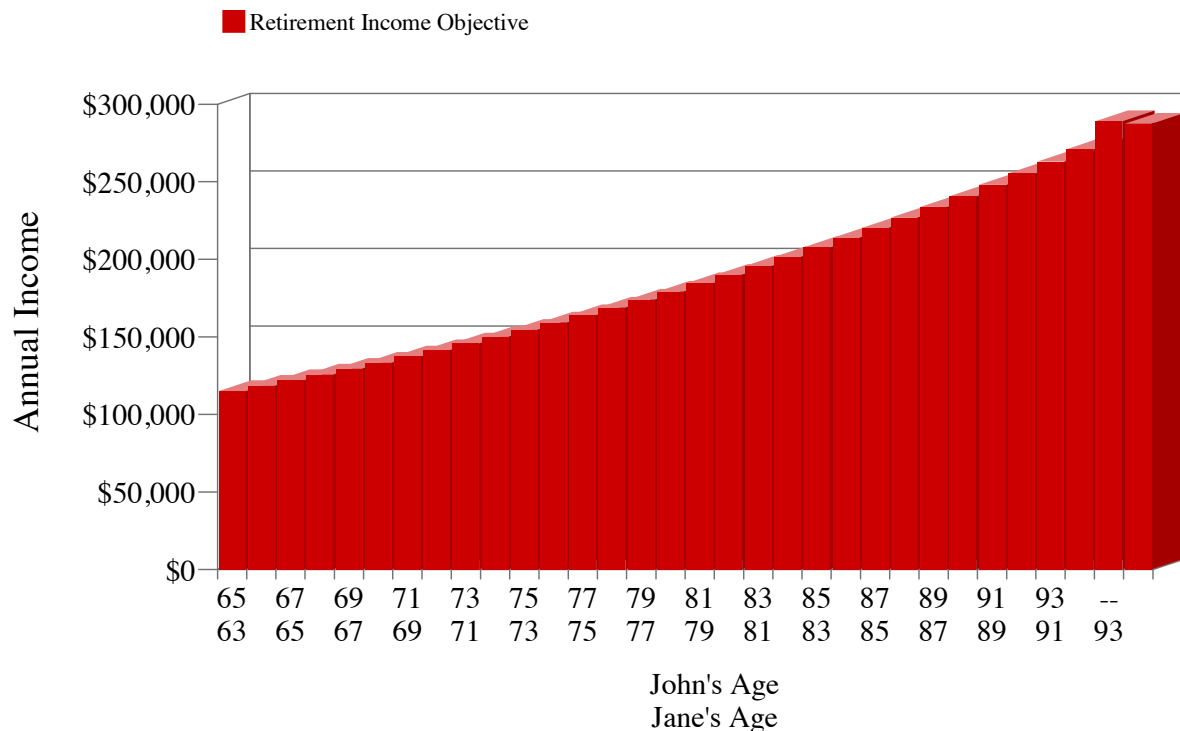
No liability is assumed resulting from the use of the information contained in this financial illustration. Responsibilities for financial decisions are assumed by you. You should seek the guidance of a financial or investment professional before proceeding with any investment decision.

# Retirement



# Retirement Objective

## *How much do you need?*



Assuming: John's mortality age 95, Jane's mortality age 95

Your retirement income objective has been illustrated above. Your objective in the first year of retirement results in the following:

<b>Total annual income objective in first year of retirement</b>	<b>\$114,966</b>
<i>Total annual income objective in today's dollars*</i>	<i>\$60,000</i>

In order to meet your income objective throughout your retirement, the amount of money needed at the beginning of retirement, in an account earning 8.00%, would be the following:

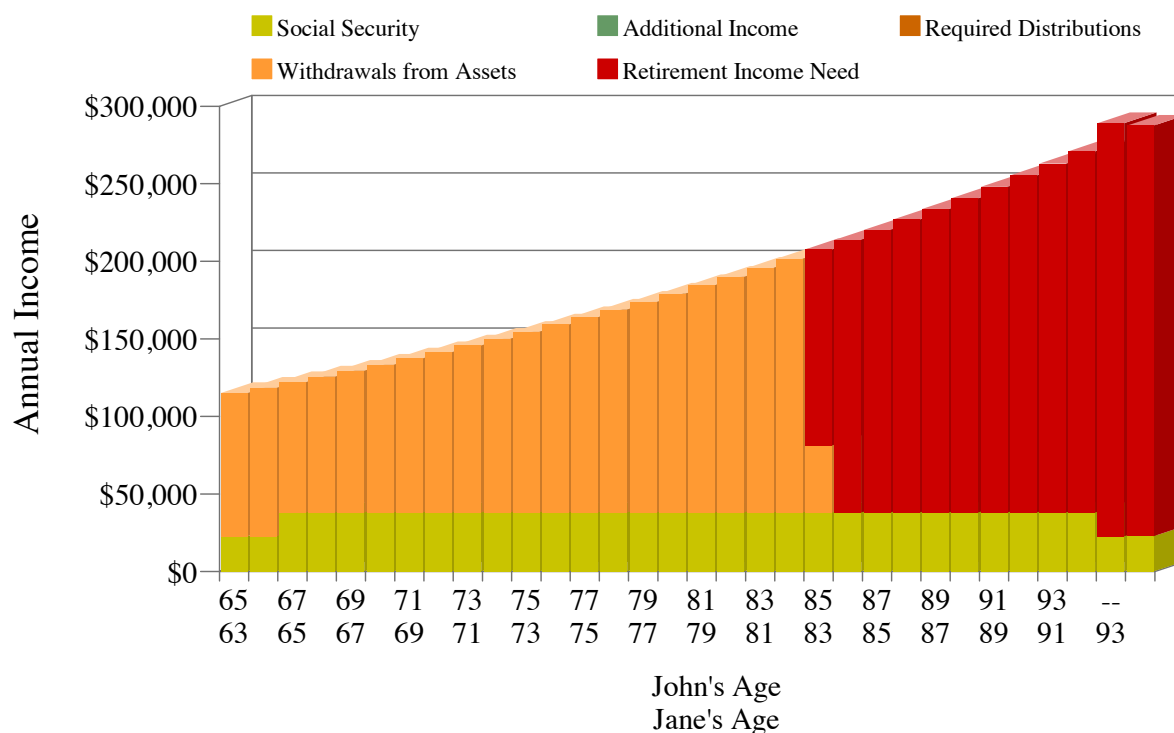
<b>Total capitalized income objective</b>	<b>\$1,939,441</b>
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The goal of the retirement analysis is to determine if your objective above can be met with expected income sources (e.g., Social Security) and withdrawals from assets (e.g., 401(k), IRA).

\*Calculated using a long-term inflation rate of 3.00%.

# Retirement Analysis Results

## *Has the objective been met?*



Assuming: John's mortality age 95, Jane's mortality age 95

Based on the analysis of your retirement needs, expected income sources and available assets, your objective will be satisfied until age 85. Out of 32 retirement years, 20 years had no unmet needs.

<i>Capitalized Value*</i>	<i>Amount</i>	<i>% of Total</i>
Capitalized income objective	\$1,939,441	100%
Capitalized applied income sources	\$436,493	23%
Capitalized applied assets	\$1,157,157	60%
<b>Unmet Need</b>	<b>\$345,791</b>	<b>18%</b>

Below are several options to consider which might improve your results. As an alternative, a blend of saving more, spending less or earning more may be preferable for your situation:

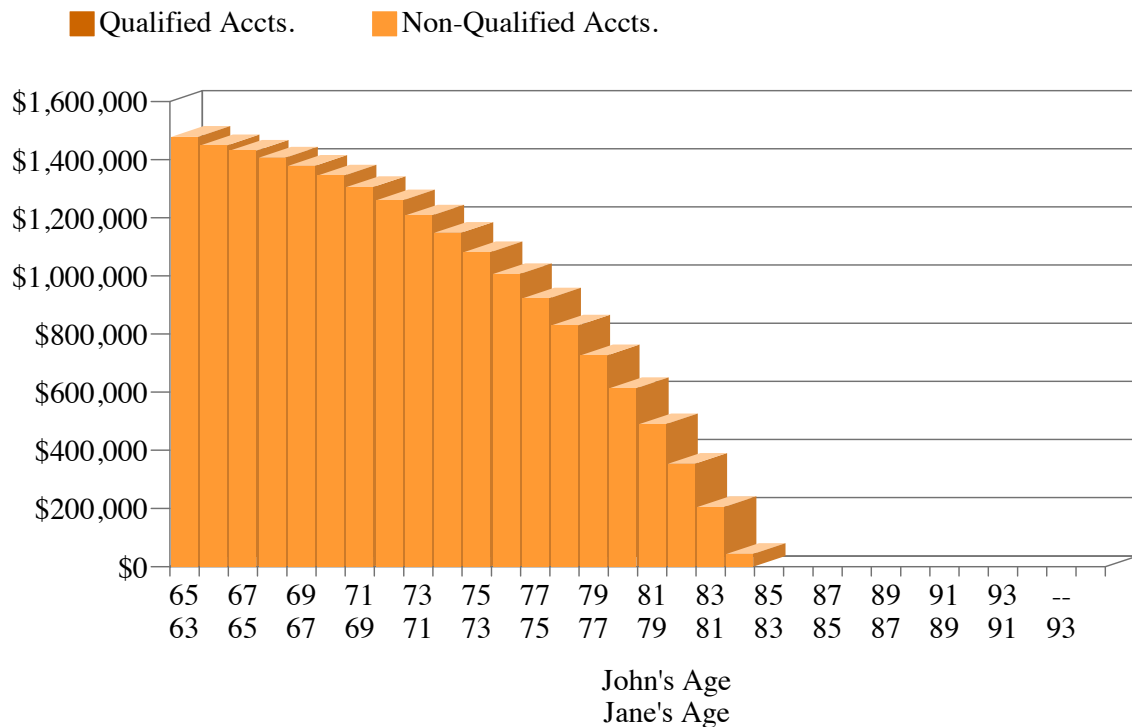
- **Increase average expected portfolio return from 6.82% to 8.00%**
- **Save \$379 more per month (inflating) in a hypothetical account earning 8.00%**
- **Reduce desired future monthly income need from \$9,581 to \$7,086**

These results are hypothetical and are not a promise of future performance.

\*Capitalization treats a series of cash flows as a lump sum, deposited in a hypothetical account with a return of 8.00%.

# Retirement Capital Results

## Assets At Work Over Time



Assuming: John's mortality age 95, Jane's mortality age 95

Portfolio performance is a key factor to retirement success. How much your portfolio provides will be dependent on four things: 1) How much you put in; 2) The amount and timing of withdrawals; 3) The types of investments (e.g., tax-advantaged); and 4) The growth of your portfolio as compared to inflation.

<i>Performance Milestones</i>	<i>Amount</i>
Average expected portfolio return	6.82%
<b>Retirement capital today</b>	<b>\$98,000</b>
Pre-retirement portfolio additions	\$462,063
Pre-retirement portfolio withdrawals	\$37,007
Pre-retirement portfolio growth	\$979,494
<b>Capital available at retirement</b>	<b>\$1,502,549</b>
Portfolio additions during retirement	\$0
Portfolio withdrawals during retirement	\$2,403,569
Portfolio growth during retirement	\$901,020
<b>Capital remaining at end of plan</b>	<b>\$0</b>

These results are hypothetical and are not a promise of future performance.

# Retirement



## Alternatives

# Retirement Summary Comparison

## *An Overview of the Results*

	<i>Current Plan</i>	<i>Alternative Investing to fully acheive goal.</i>	<i>Alternative Living on less in retirement.</i>	<i>Alternative Retire later on planned income.</i>
<b>Retirement Objective</b>				
Change to John's age	65	--	--	70
Change to Jane's age	63	--	--	68
Change to overall retirement need	100%	--	73%	--
Age retirement begins	65/63	65/63	65/63	70/68
Retirement needs in 1st year	\$114,966	\$114,966	\$83,925	\$133,277
<b>Retirement Income</b>				
Retirement income in 1st year	\$22,629	\$22,629	\$22,629	\$37,975
<b>Retirement Portfolio</b>				
Change to taxable savings	--	Modified	--	--
Retirement portfolio today	\$98,000	\$98,000	\$98,000	\$98,000
Total additions to portfolio	\$462,063	\$778,113	\$462,063	\$656,030
Total withdrawals from portfolio	\$2,440,576	\$4,929,228	\$3,299,497	\$4,478,041
Total growth in portfolio	\$1,880,514	\$4,054,624	\$2,862,354	\$4,204,801
<b>SUMMARY OF RESULTS</b>				
Retirement objective satisfied until	84/82	End of plan	End of plan	End of plan
Successful retirement years	20 of 32	32 of 32	32 of 32	27 of 27
Capitalized objective at retirement*	\$1,939,441	\$1,938,448	\$1,415,067	\$2,078,268
Capitalized income/assets applied*	\$1,593,651	\$1,938,448	\$1,415,067	\$2,078,268
<b>Percentage of goal achieved</b>	<b>82 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>
<b>End of plan portfolio value</b>	<b>\$0</b>	<b>\$1,509</b>	<b>\$122,920</b>	<b>\$480,790</b>
<b>Average expected portfolio return</b>	<b>6.82 %</b>	<b>6.41 %</b>	<b>6.44 %</b>	<b>6.69 %</b>

\*Capitalization treats a series of cash flows as a lump sum, deposited in a hypothetical account with a return of 8.00%



# Retirement

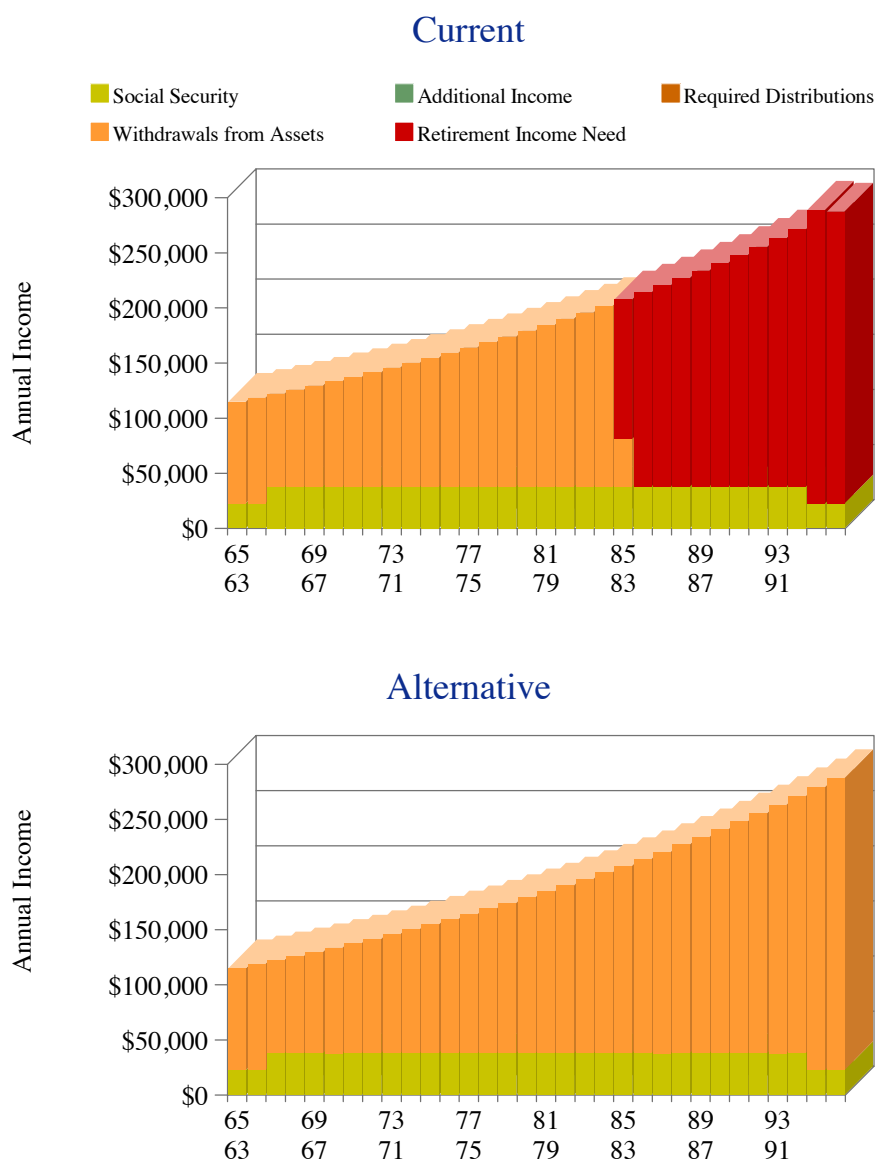


**Alternative**  
*Investing to fully acheive goal.*

# Retirement Analysis Results Comparison

## *Investing to fully acheive goal.*

	<i>Current</i>	<i>Alternative</i>
Average expected portfolio return	6.82%	6.41%
End of plan retirement portfolio value	\$0	\$1,509
<b>Percentage of goal achieved</b>	<b>82%</b>	<b>100%</b>



These results are hypothetical and are not a promise of future performance.

# Retirement

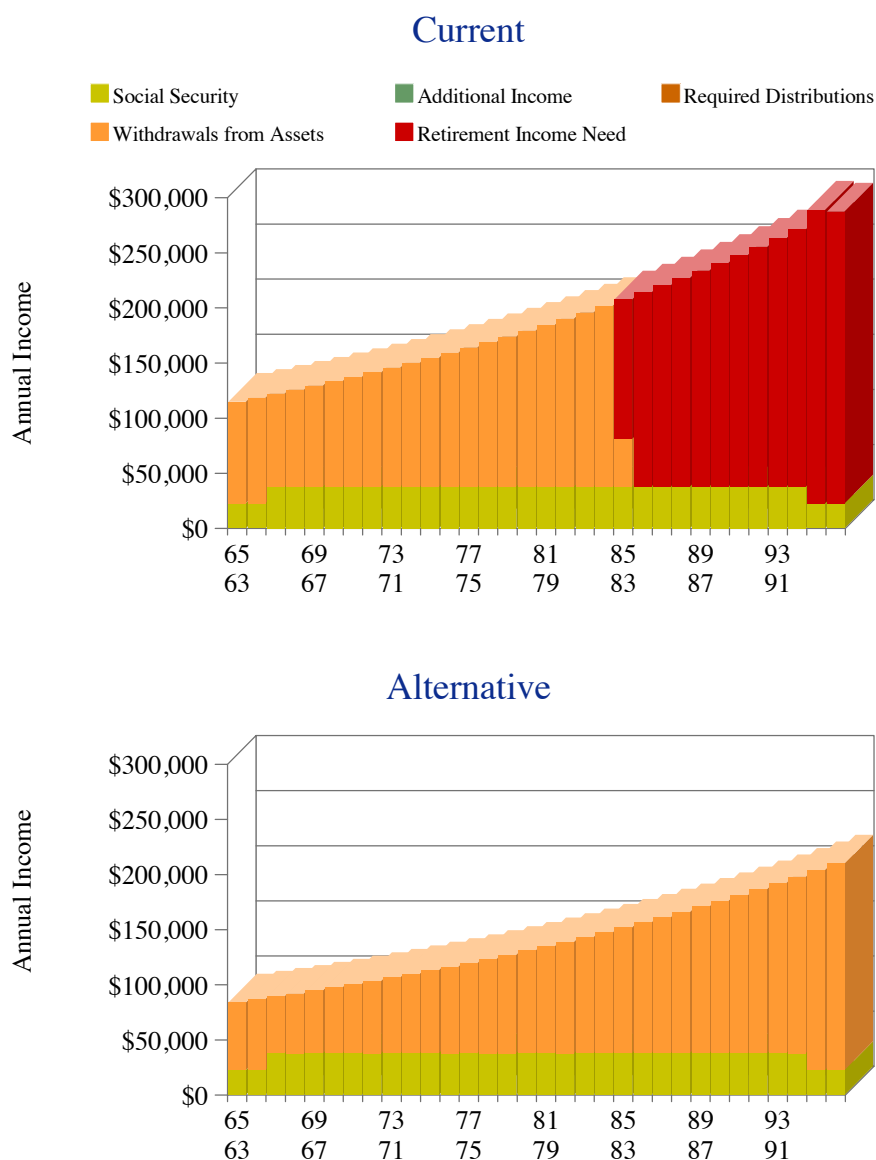


**Alternative**  
*Living on less in retirement.*

# Retirement Analysis Results Comparison

## *Living on less in retirement.*

	<i>Current</i>	<i>Alternative</i>
Average expected portfolio return	6.82%	6.44%
End of plan retirement portfolio value	\$0	\$122,920
<b>Percentage of goal achieved</b>	<b>82%</b>	<b>100%</b>



These results are hypothetical and are not a promise of future performance.

# Retirement



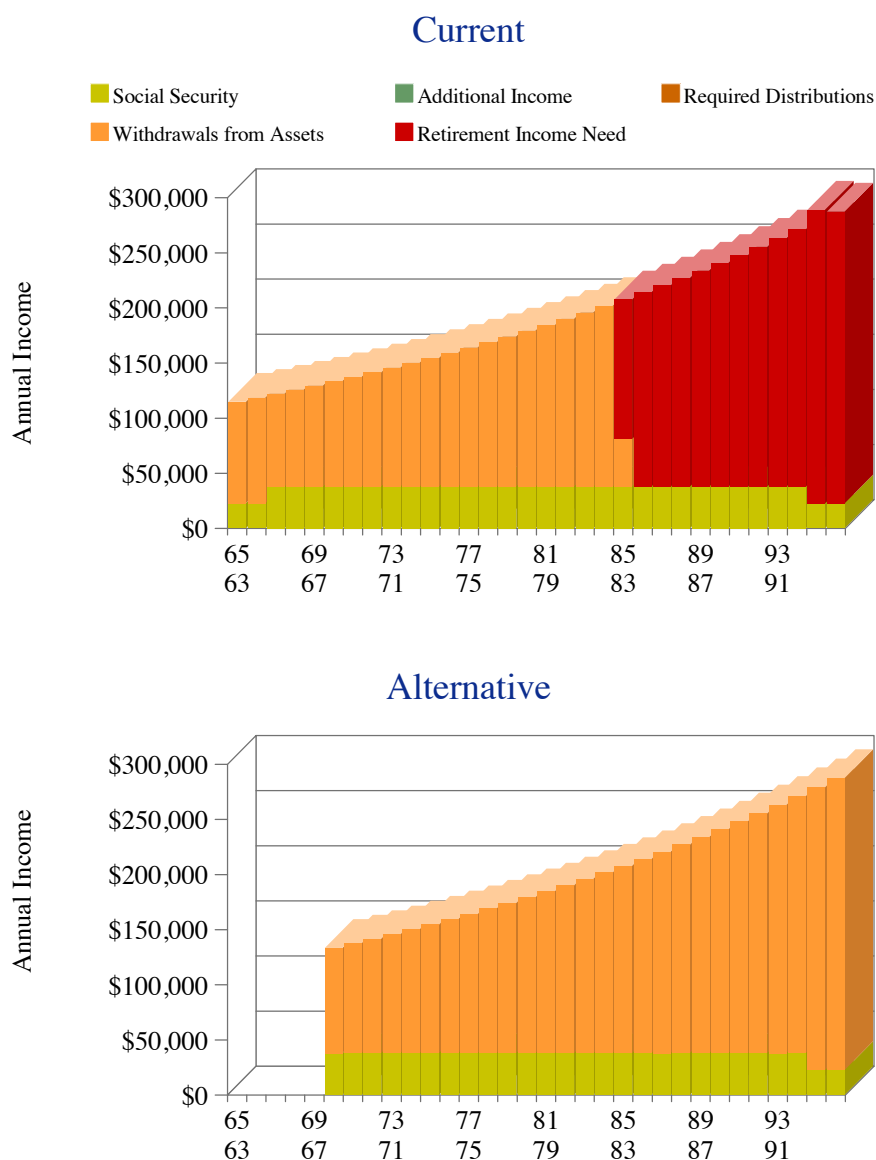
## Alternative

*Retire later on planned income.*

# Retirement Analysis Results Comparison

*Retire later on planned income.*

	<i>Current</i>	<i>Alternative</i>
Average expected portfolio return	6.82%	6.69%
End of plan retirement portfolio value	\$0	\$480,790
<b>Percentage of goal achieved</b>	<b>82%</b>	<b>100%</b>

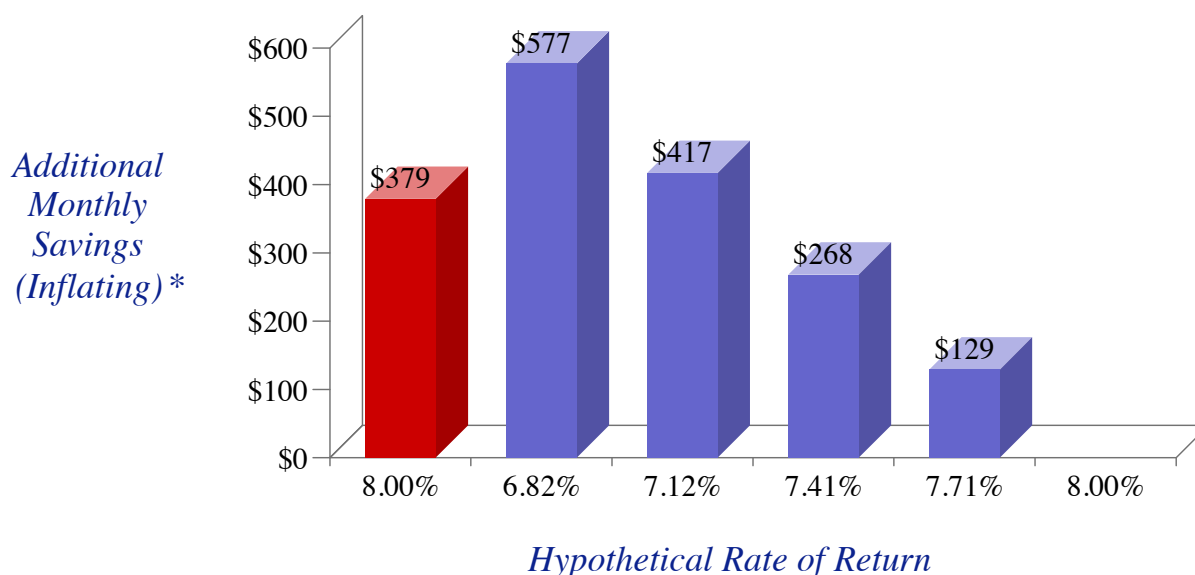


These results are hypothetical and are not a promise of future performance.



# Save More—Earn More

## *Achieving Your Retirement Objective*



The analysis shows that there are not enough assets to provide for your retirement needs. There are only three ways to fix this problem: 1) Reduce or delay your retirement goal; 2) Save more money; or 3) Make your money work harder. Assuming you want to keep your goals intact, let's examine the last two.

### **Save More:**

At retirement, you need an additional \$345,791 in a hypothetical taxable account earning 8.00% to meet your goals. Savings of \$379/month into this account would accomplish this.

Currently, your assets are expected to earn an average of 6.82%. If the hypothetical account were earning this rate too, then you would need \$455,922 at retirement, requiring \$577/month.

### **Earn More:**

If, however, your retirement assets could earn 8.00%, no additional savings would be necessary to achieve your retirement goals. Frequently, however, an increase in return can mean an increase in the risks to your portfolio, so care should be taken before proceeding.

### **The Right Combination:**

Changing your portfolio rate from 6.82% to 7.41% reduces the additional savings to \$268/month. Factors such as risk tolerance, timeframe and saving ability can help you find the right combination.

\*Assumes that the monthly savings amount increases by 3.00% each year.

# Education Goals

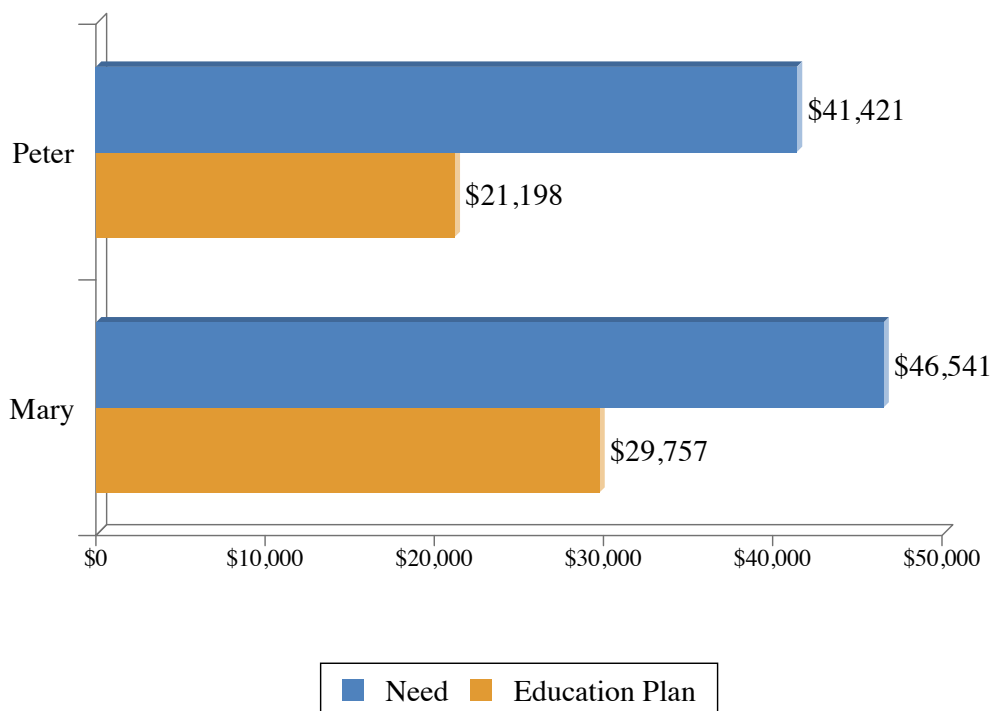




# Education Goals

*Total Education Need \$87,962*

*Your Education Plan Provides \$50,955*



This graph illustrates the projected capital needed to meet your education objectives and how your projected current savings and investments are helping meet the objectives.

Name	Amount Needed Per Year (Today's \$)	Funding Alternatives <sup>1</sup>		
		Additional Sum <sup>1</sup>	Additional Monthly Level Savings	Additional Monthly Inflating Savings <sup>2</sup>
Peter <sup>3</sup>	\$7,500	\$12,500	\$168	\$153
Mary <sup>3</sup>	7,500	8,673	100	89
<b>Totals</b>	<b>\$15,000</b>	<b>\$21,172</b>	<b>\$268</b>	<b>\$241</b>

<sup>1</sup> Single-sum investment alternative assumes that existing savings will continue and Funding Alternatives earn an assumed rate of return of 8.00%.

<sup>2</sup> The amount shown is for the first year only; this amount must be increased annually by the assumed inflation rate of 3.00%.

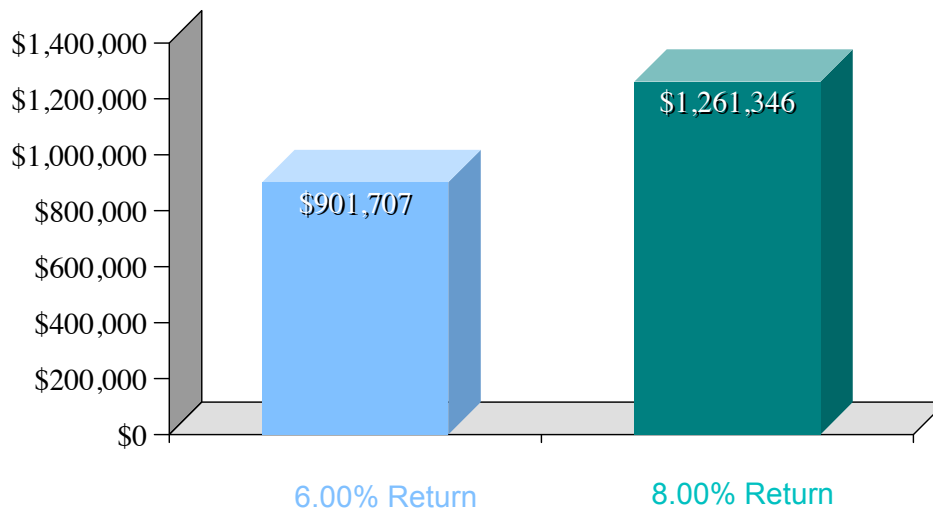
<sup>3</sup> Funding deficit from cash flow.

These results are hypothetical and are not a promise of future performance.

# What a Difference 2.00% Makes

6.00% vs. 8.00% Annual Return

39.88% More



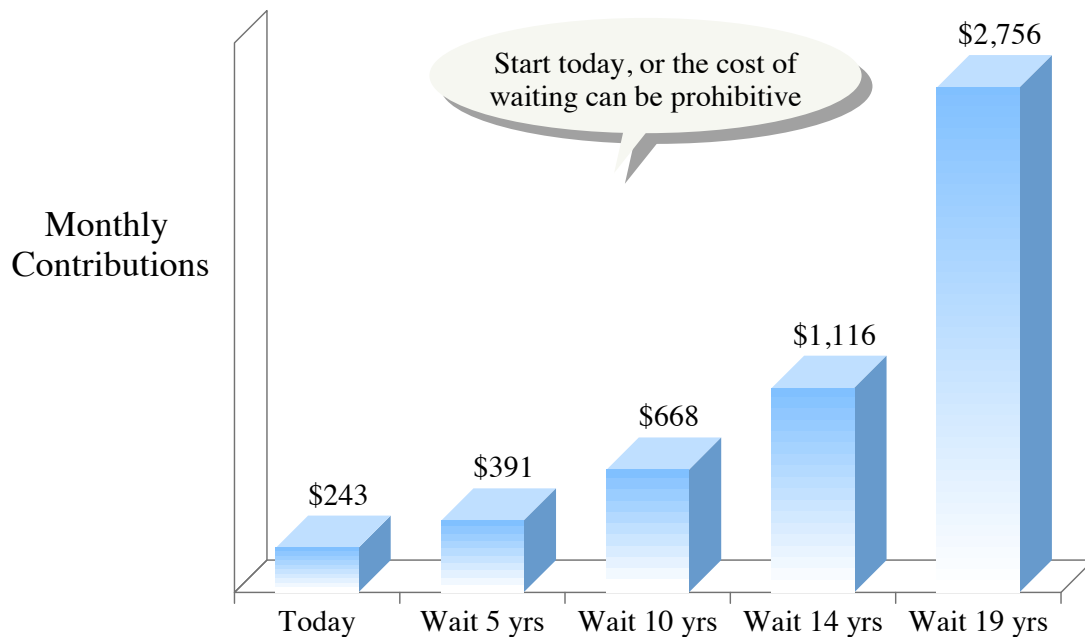
2.00% rate increase creates 39.88% increase in value!\*

What a difference a percent or two makes. Note how a 2.00% increase in assumed rate of return results in a 39.88% increase in the results. Can you find a way to earn an extra 2.00% on your investment? If so, you will enjoy a much greater percent reward than the increase itself!

\*Assumes \$68,000 initial capital and \$1,000 monthly payments over 24 years. This is a hypothetical example designed to show the effects of any increased rate over time. Of course, higher rates may imply more risk. This example is not intended to predict any investment's actual results.

# Cost of Waiting

Goal - \$202,297 in 24 Years\*



This chart shows how much monthly savings would have to increase if the start of a savings plan is deferred. This is the cost of waiting.

Not only does waiting mean having to set aside more in monthly savings, the cost of waiting can often eliminate any hope of achieving the goal!

\*Assumes 8.00% return and the reinvestment of all earnings. This is a hypothetical illustration only and is not indicative of the performance of any particular investment. This illustration is based on compounding a fixed rate of return over a long period of time. However, most investments generate fluctuating returns so the period of time in which an investment will grow to \$202,297 cannot be determined with certainty. A systematic savings plan does not assure a profit or protect against loss in declining markets. It involves continuous investment regardless of fluctuating price levels. Investors should consider their ability to continue purchases in periods of low price levels.

# Earn a Fortune

Annual Income	\$80,400
Annual Increase	4.00%

From age 43 to age 65, you may  
earn a fortune.



**\$2,753,537**

The question is not how much will you earn,  
but how much will you keep.

# Four Options



If your current strategy for achieving retirement does not satisfy your anticipated retirement needs, there are four options:

***Live on Less*** - Decrease the desired standard of living during retirement.

***Save More*** - Increase monthly savings to provide the capital needed.

***Earn More*** - Earn more on your money today to increase the value of your savings. Earn more on your money during retirement to make the savings last longer.

***Delay the Day*** - Postpone retirement until enough has been saved to meet your income objectives.

If a single option is not reasonable, a combination of two or more of these options may be necessary.

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Have you insured the golden eggs . . .



... but not the goose?

Many of us insure our possessions, such as our home and car, without making sure that the person whose income purchased them is properly protected.

While we are alive we may be able to replace lost possessions, even if they are totally uninsured. At disability, however, only disability income insurance can compensate for the loss of our most valuable possession: our ability to earn an income.

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# Who Do You Know Who ...

- Is in a similar position to you?
- Could benefit from this type of work?
- You would like to help?
- Recently received a promotion?
- Belongs to your business associations or social clubs?
- Complains about the amount of tax they pay?
- Owns a business?

Can you think of other people who could also benefit from my services?  
In addition to this list, you might include your neighbors, others who have similar tax issues, family members, your attorney and accountant, people who sell to you, friends at work, church and civic groups, friends, etc.

# Analysis Summary

*Prepared for  
John and Jane Smith*

This summary is intended to give you a quick overview of the detailed analyses in the sections that follow, and is based upon your current financial situation and the information you provided. Please review the analysis reports for details concerning assumed rates of return, calculations, tax implications and other factors impacting the analysis results. Included in this summary are:

- Retirement Analysis
- Education Funding Analysis

## RETIREMENT ANALYSIS

Your goal is to retire at John's age 65 and Jane's age 63. Your annual income objective at retirement is \$114,966. In addition to anticipated income sources, your projected savings and investments of \$1,502,549 at retirement will fund your income objective until John's age 85 and Jane's age 83. At that time, your available retirement portfolio is estimated to be fully depleted, and there will be a shortfall in future income.

	<i>Objectives</i>	<i>Results</i>	<i>Remaining</i>
Successful years of retirement	32	20	12
Capitalized value at retirement*	\$1,939,441	\$1,593,651	\$345,791
Percent of goal	100%	82%	18%

\*Capitalization is a way of treating a series of cash flows as a lump sum, deposited in a hypothetical account with a return of 8.00%

*Continued...*



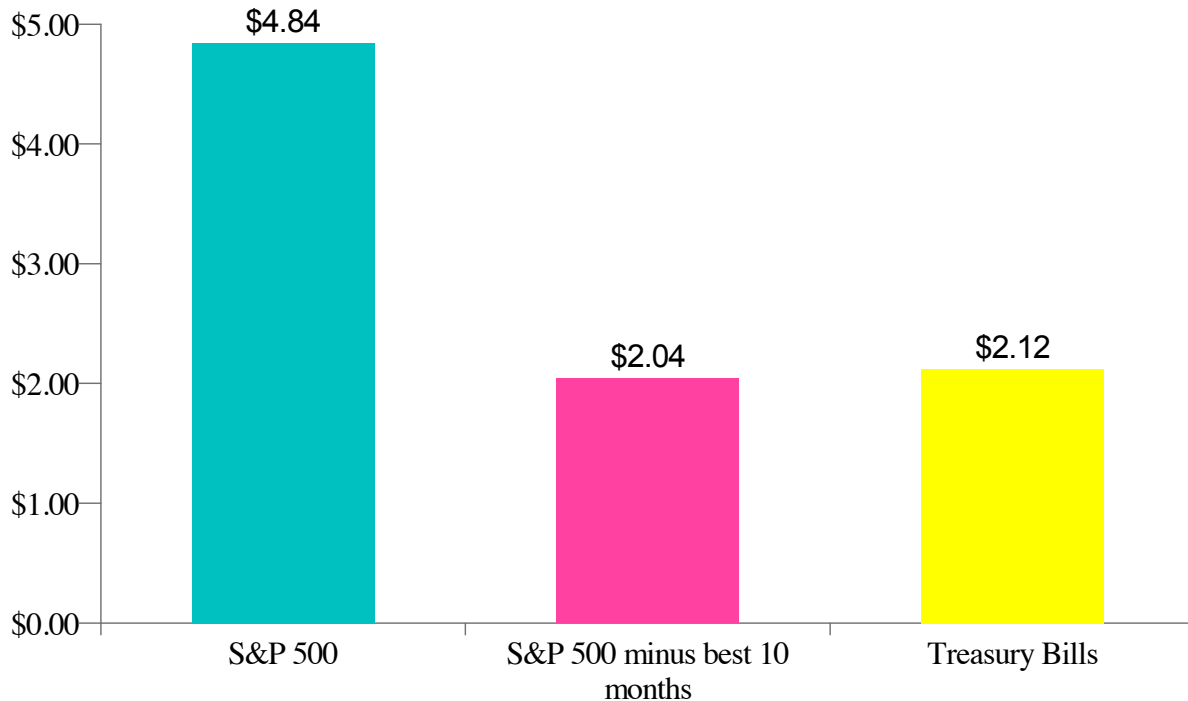
## EDUCATION FUNDING ANALYSIS

This analysis estimates that you will need \$87,962 to provide for all of your education goals. It is projected that you will have \$50,955 available, which leaves a shortfall of **(\$37,007)**.

<i>Name</i>	<i>Amount Needed (in future dollars)</i>	<i>Existing Plan Provides</i>	<i>Surplus/ Deficit</i>	<i>-----Funding Alternatives-----</i>	
				<i>Additional Level Monthly Savings</i>	<i>Additional Inflating Monthly Savings</i>
Peter	\$41,421	\$21,198	(\$20,223)	\$168	\$153
Mary	<u>46,541</u>	<u>29,757</u>	<u>(16,784)</u>	<u>100</u>	<u>89</u>
<i>Total</i>	<u>\$87,962</u>	<u>\$50,955</u>	<u>(\$37,007)</u>	<u>\$268</u>	<u>\$241</u>

# Dangers of Market Timing

## *Hypothetical Value of \$1 Invested from 1990-2009*



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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### ***Dangers of Market Timing 1990-2009***

Investors who attempt to time the market run the risk of missing periods of exceptional returns. This practice may have a negative effect on a sound investment strategy.

This image illustrates the risk of attempting to time the stock market over the past 20 years. A hypothetical \$1 investment in stocks invested at the beginning of 1990 grew to \$4.84 by year-end 2009. However, that same \$1 investment would have only grown to \$2.04 had it missed the 10 best months of stock returns. One dollar invested in Treasury bills over the 20-year period resulted in an ending wealth value of \$2.12. An unsuccessful market timer, missing the 10 best months of stock returns, would have received a return lower than that of Treasury bills.

Although successful market timing may improve portfolio performance, it is very difficult to time the market consistently. In addition, unsuccessful market timing can lead to a significant opportunity loss. Returns and principal invested in stocks are not guaranteed. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest.

### ***About the data***

Stocks are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Treasury bills are represented by the 30-day U.S. Treasury bill. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

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# Growing Your Money

*For example...*

Initial Capital	\$0
Assumed Rate of Return	5.00%
Monthly Savings	\$100
Annual Increase to Savings	0.00%
Number of Years	10



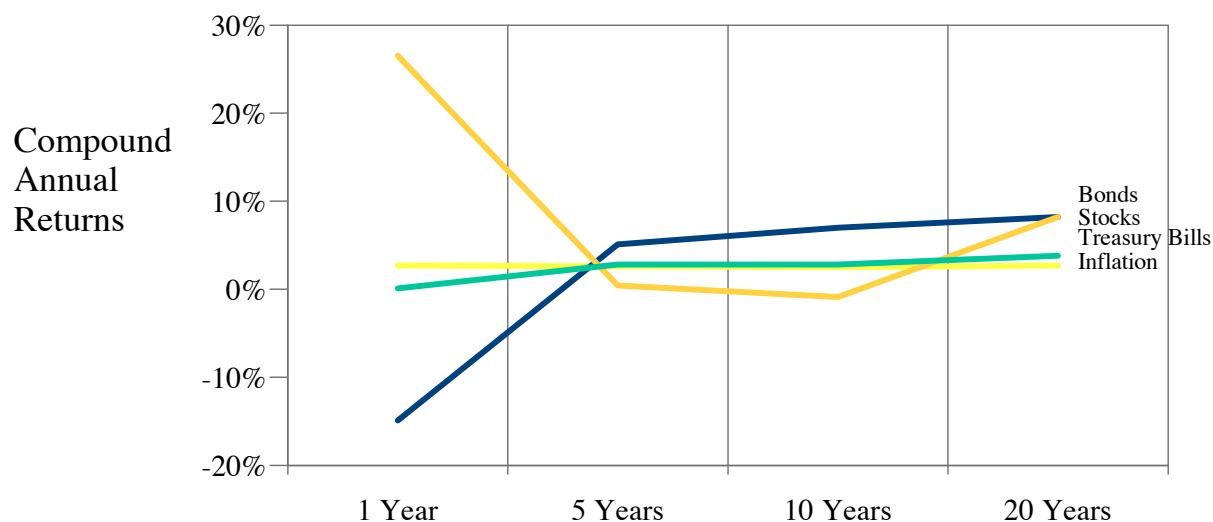
***GROWS TO***  
**\$15,499**

Hypothetical illustration only and is not indicative of the performance of any particular investment.

# Historical Yields

## *Compound Annual Returns*

### *1990-2009*



<i>Category</i>	<i>1 Year</i>	<i>5 Years</i>	<i>10 Years</i>	<i>20 Years</i>
Stocks	26.5%	0.4%	-0.9%	8.2%
Bonds	-14.9%	5.1%	7.7%	8.2%
Treasury Bills	0.1%	2.8%	2.8%	3.8%
Inflation	2.7%	2.6%	2.5%	2.7%

Asset categories are defined as follows: *Stocks*, large company stocks represented by the S&P 500; *Bonds*, long term government bonds with maturities near 20 years; and *Treasury Bills*, U.S. treasury bills with the shortest maturity not less than one month. Past performance is no guarantee of future results. The values of equity investments are more volatile than Treasury Bills and bonds. Government bonds and Treasury Bills are guaranteed as to the timely payment of principal and interest.

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# Assets and Liabilities



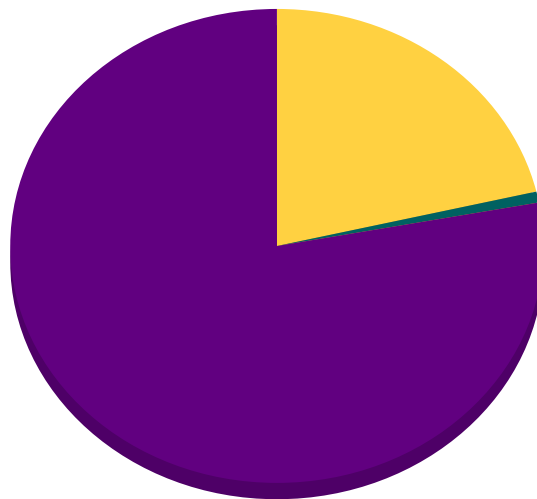
# Asset Summary

## by Asset Type

**\$451,000**



- Banking
- Qualified
- Annuities
- Investments
- Education
- Real Estate
- Personal
- Business



Assets	Current Balance	Percent of Total Assets
Investment Accounts	\$98,000	21.7%
Education Investment Accounts	\$3,000	0.7%
Real Estate and Residence	\$350,000	77.6%
<b>Total Assets</b>	<b>\$451,000</b>	<b>100.0%</b>

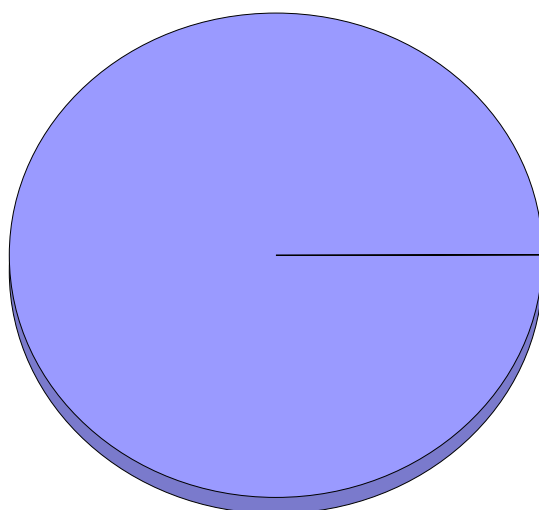
# Liability Summary

## *by Liability Type*

**\$285,000**



- Real Estate
- Property Loans
- Personal Loans
- Credit Cards



Liabilities	Current Liability	Percent of Total Liabilities
Real Estate	\$285,000	100%
Property Loans	\$0	0%
Personal Loans	\$0	0%
Credit Cards	\$0	0%
<b>Total Liabilities</b>	<b>\$285,000</b>	<b>100%</b>