

Earned Income Schedule:

Retirement @ 65

A1

Allen				Betty				Total earned income	Total non-cash income
Age	Annual salary	Self employ.	Non-cash income	Age	Annual salary	Self employ.	Non-cash income		
	1	2	3	4	5	6	7	8	9
57	\$70,000	\$1,000		54	\$35,000			\$106,000	
58	70,000	1,000		55	35,000			106,000	
59	70,000	1,000		56	35,000			106,000	
60	70,000	1,000		57	35,000			106,000	
61	70,000	1,000		58	35,000			106,000	
62	70,000	1,000		59	35,000			106,000	
63	70,000	1,000		60	35,000			106,000	
64	70,000	1,000		61	35,000			106,000	
65				62	35,000			35,000	
66				63	35,000			35,000	
67				64	35,000			35,000	
68				65					
69				66					
70				67					
71				68					
72				69					
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109				106					
								1,2,4,5	3,7

Pension & Social Security Income:

Retirement @ 65

A2

Allen				Betty				Total pension & SocSec
Age	Ind. 1 Pension \$550	Ind. 1 Pension 2	SocSec* \$1,715	Age	Ind. 2 Pension 1	Ind. 2 Pension 2	SocSec* \$1,192	
	1	2	3	4	5	6	7	8
57				54				
58				55				
59				56				
60				57				
61				58				
62				59				
63				60				
64				61				
65	6,732		24,109	62				30,841
66	6,867		24,591	63				31,457
67	7,004		25,083	64				32,087
68	7,144		25,584	65			17,778	50,507
69	7,287		26,096	66			18,134	51,517
70	7,433		26,618	67			18,497	52,547
71	7,581		27,150	68			18,867	53,598
72	7,733		27,693	69			19,244	54,670
73	7,888		28,247	70			19,629	55,763
74	8,045		28,812	71			20,021	56,879
75	8,206		29,388	72			20,422	58,016
76	8,370		29,976	73			20,830	59,177
77	8,538		30,576	74			21,247	60,360
78	8,709		31,187	75			21,672	61,567
79	8,883		31,811	76			22,105	62,799
80	9,060		32,447	77			22,547	64,055
81	9,242		33,096	78			22,998	65,336
82	9,426		33,758	79			23,458	66,642
83	9,615		34,433	80			23,927	67,975
84	9,807		35,122	81			24,406	69,335
85	5,002			82			35,824	40,826
86	5,102			83			36,541	41,642
87	5,204			84			37,271	42,475
88	5,308			85			38,017	43,325
89	5,414			86			38,777	44,191
90	5,522			87			39,553	45,075
91	5,633			88			40,344	45,977
92	5,745			89			41,151	46,896
93	5,860			90			41,974	47,834
94	5,977			91			42,813	48,791
95	6,097			92			43,669	49,766
96				93				
97				94				
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108				105				
109				106				

1,2,3,5,6,7

2003.3.5

* Less earned income reduction if applicable.

Normal retirement at age 65

Other Income (Expense):

Residence: Retirement @ 65

A3

Ages	Life insurance benefit	Other Inc / (Exp.)		Residence #1		Residence #2		Selling costs	Net sale proceeds	Total other inc/exp
		Single yr & St. Opt.	Multiple year	Value @ 5.00%	Mortgage balance	Value @	Mortgage balance			
	1	2	3	4	6	7	8	9	10	11
57 54				\$307,000	\$72,000					
58 55		22,000		322,350	66,746					22,000
59 56				338,468	61,053					
60 57		35,184		355,391	54,883					35,184
61 58		104,213		373,160	48,197					104,213
62 59				391,818	40,951					
63 60				411,409	33,099					
64 61		(20,000)		431,980	24,589					(20,000)
65 62			(8,882)	453,579	15,367					(8,882)
66 63			(9,993)	476,258	5,373					(9,993)
67 64			5,000	500,071						5,000
68 65			5,000	525,074						5,000
69 66			5,000	551,328						5,000
70 67				578,894						
71 68				607,839						
72 69				638,231						
73 70				670,142						
74 71				703,650						
75 72				738,832						
76 73				775,774						
77 74				814,562						
78 75				855,291						
79 76				898,055						
80 77				942,958						
81 78				990,106						
82 79				1,039,611						
83 80				1,091,592						
84 81	60,000 c			1,146,171						60,000
85 82				1,203,480						
86 83				1,263,654						
87 84				1,326,836						
88 85				1,393,178						
89 86				1,462,837						
90 87				1,535,979						
91 88				1,612,778						
92 89				1,693,417						
93 90				1,778,088						
94 91				1,866,992						
95 92	75,000 s			1,960,342						75,000
96 93				2,058,359						
97 94										
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107 104										
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109 106										
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2003.3.5

Note - C = clients life expectancy age. S = spouses life expectancy age. R = sale of residence in this year.

Normal retirement at age 65

Stock Options Summary Report

4074.663866

B7

Age	Year	Options Exercised		Cash from sale of shares	Reportable for taxes		
		ISO	NQSO		Ordinary Income*	Capital Gains	AMT
57	2003	37,425		(2,165)	7,350	12,910	(8,500)
58	2004	57,500		22,000	22,000		
59	2005						
60	2006			35,184		16,104	
61	2007			53,565		16,140	
62	2008						
63	2009						
64	2010						
65	2011						
66	2012						
67	2013						
68	2014						
69	2015						
70	2016						
71	2017						
72	2018						
73	2019						
74	2020						
75	2021						
76	2022						
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102	2048						
103	2049						
104	2050						
105	2051						
106	2052						
107	2053						
108	2054						
109	2055						

* Includes ISO prematurely exercised or sold, or disqualified portion of ISO not eligible for CG treatment (vested in excess of \$100,000 in a given year.)

Stock Options Worksheet for Allen & Betty Able

As of: 4/24/2002
Retirement @ 65

B8

Incentive Stock Options

Grant information:

	Walton	Walton	Walton	Walton
Current price / appreciation rate	\$23.50 / 9.00%	\$23.50 / 9.00%	\$23.50 / 9.00%	\$23.50 / 9.00%
Grant date	1/15/2000	2/1/2001	1/15/2002	8/15/2001
Vest date	1/15/2001	2/1/2002	1/15/2003	8/15/2002
Number of shares	1,000	1,000	1,500	2,000
Grant (strike) price	\$15.00	\$12.50	\$20.05	\$17.75
Exercise cost	\$15,000	\$12,500	\$30,075	\$35,500

Exercise Information:

Anticipated Exercise date	1/15/2001	2/1/2002	1/15/2003	8/16/2004
\$ per share	\$23.50	\$23.50	\$24.95	\$28.75
Exercise value	\$23,500	\$23,500	\$37,425	\$57,500
Bargain element	\$8,500	\$11,000	\$7,350	\$22,000
Exercise method*	Hold all.	Sell all.	Hold all.	Sell all.
# shares sold		1,000		2,000
Amount realized from sale		\$23,500		\$57,500
Less payment for grant	\$15,000	\$12,500	\$30,075	\$35,500
Net cash results at exercise	(\$15,000)	\$11,000	(\$30,075)	\$22,000
Alternative Minimum Tax Income	\$8,500			
Ordinary income**		\$11,000	\$7,350	\$22,000

** Ordinary income from premature exercise or disqualified ISO from vested amounts exceeding \$100,000 in a given year.

Future Sale of Stock (shares that were held)

Date of sale	1/15/2003	1/15/2007
# shares sold	1,000	1,500
\$ per share	\$27.91	\$35.71
Net cash results at future sale	\$27,910	\$53,565
AMTI recapture	(\$8,500)	
Ordinary income (STCG)		
Long term capital gain	\$12,910	\$16,140

Non Qualified Stock Options

Grant information:

	DB	DB
Current price / appreciation rate	\$45.00 / 11.00%	\$45.00 / 11.00%
Grant date	6/15/1998	6/15/1999
Vest date	6/15/1998	6/15/2002
Number of shares	500	500
Grant (strike) price	\$5.00	\$7.25
Exercise cost	\$2,500	\$3,625

Exercise Information:

Anticipated Exercise date	6/15/2002	6/15/2002
\$ per share	\$45.41	\$45.41
Exercise value	\$22,705	\$22,705
Bargain element	\$20,205	\$19,080
Exercise method*	Sell all.	Hold all.
# shares sold	500	
Amount realized from sale	\$22,705	
Payment for grant	\$2,500	\$3,625
Net cash results at exercise	\$20,205	(\$3,625)
Ordinary income at exercise	\$20,205	\$19,080

Future Sale of Stock:

Date of sale	6/15/2006
# shares sold	500
\$ per share	\$70.37
Net cash results at future sale	\$35,184
Ordinary income (STCG)	
Long term capital gain	\$35,184

Stock Options Worksheet for

4074.663866

Incentive Stock Option:

Grant information:

Current price / appreciation rate
Grant date
Vest date
Number of shares
Grant (strike) price

Exercise cost

Exercise Information:

Anticipated Exercise date
\$ per share

Exercise value

Bargain element
Exercise method*
shares sold
Amount realized from sale
Less payment for grant

Net cash results at exercise

Alternative Minimum Tax Income

*Ordinary income***

*** Ordinary income from premature exercise or disqualified ISO from vested amounts exceeding \$100,000 in a given year.*

Future Sale of Stock (shares that were held):

Date of sale
shares sold
\$ per share

Net cash results at future sale

AMTI recapture

Ordinary income (STCG)

Long term capital gain

Non Qualified Stock Option:

Grant information:

Current price / appreciation rate
Grant date
Vest date
Number of shares
Grant (strike) price

Exercise cost

Exercise Information:

Anticipated Exercise date
\$ per share

Exercise value

Bargain element
Exercise method*
shares sold
Amount realized from sale
Payment for grant

Net cash results at exercise

Ordinary income at exercise

Future Sale of Stock:

Date of sale
shares sold
\$ per share

Net cash results at future sale

Ordinary income (STCG)

Long term capital gain

A stock option is a right to buy or sell a particular stock, at a specified price, until that option expires at a certain date. Many companies with publicly traded shares award or grant stock purchase options to some employees as an employment benefit, or as a part of the employee's compensation package. Stock options of this kind can allow the employee to significantly benefit from increases in the value of the underlying stock.

While there exists significant potential gains from employee stock option programs, it is important to consider various tax implications connected to the exercise of these options. Knowing in advance the tax rules and consequences connected to employee stock option plans may allow participants to actively maximize the results of exercising an option.

Terms:

- Grant Date - The date on which the employee received an option.
- Vest Date - The date when the option is first exercisable (unless an early exercise is allowed.)
- Exercise Date - Date when the employee elects to purchase the stock.
- Grant (Strike) Price - The price the employee will pay to purchase the stock (usually paid in cash.)
- Exercise cost - Total cost of the shares purchased (Grant Price times number of shares.)
- Bargain Element - Difference between the market price of the stock and the grant price.
- Exercise Value - Value of the shares when the employee makes the purchase.
- Cashless sale - Upon exercise, immediate sale of enough shares to pay the exercise cost.
- Total Sale - Value of shares when sold (number of shares times current market price.)
- AMTI - Alternate Minimum Taxable Income.

Incentive Stock Options:

An option which complies with certain IRS regulations. When the shares are sold, all or a portion of the values in excess of the Exercise Cost may be treated as a Capital Gain, which may allow the gain to be taxed at a rate lower than the ordinary tax rates. The sale must take place more than 24 months after the grant date and 12 months after the exercise date. Grants that vest or become exercisable in a single year in excess of \$100,000 will be "disqualified" or treated as ordinary income.

When the shares are purchased, the employee will report the bargain element as AMT Income. When the shares are sold, the difference between the Total Sale and the Exercise Cost (depending on the timing of the sale) will be taxed as long term capital gain if held more than 12 months, or, if held less than 12 months or disqualified, then taxed as short term capital gain or ordinary income.

Non-Qualified Stock Options:

These options do not need to follow any specific IRS regulations. One advantage is that the "Grant" price may be set by the company at a price lower than the current market price.

When the option is exercised, the employee will report ordinary income equal to the difference between the exercise cost and the exercise value. The exercise cost becomes the cost basis.

When the shares are sold, the difference between the exercise value and the total sale will be reported as capital gain or loss (long or short term.)

The stock options are presented in two formats:

- The Stock Option Worksheet reports deal with each option in a single column on each page. The Grant, Exercise, Sale, Tax and Net Cash Results may occur in several different years for a particular option
- The Stock Option Summary report combines the various events in the year that the event takes place. By combining the various events into a yearly projection you may see more clearly the effect on your cash flow and taxable events for each year.

Tax Rates

In some cases, a different ordinary income tax rate will be used before and after retirement age. In addition, long term capital gains may be taxed at a lower rate. The report will use the rates to apply to the different types of income to be reported.

Cashless Exercise

An election to use a cashless exercise is common when the participant does not have cash available to use to purchase the shares. In this case an arrangement will be made (usually with a stockbroker) to immediately sell enough shares upon exercise to pay for the cost of the shares.

Tax treatment

When an ISO is exercised, no ordinary income tax is due. When the shares are ultimately sold, then the participant will owe taxes on the amount of funds realized in excess of the cost of the shares (the exercise cost.) If the shares have been held for more than 12 months, the gain will be treated as long term and qualify for the lower LTCG rate. If the shares were held for less than 12 months, taxes will be paid at the short term gain, or ordinary tax rate.

When a NQSO is exercised, the value of the shares acquired (exercise value) in excess of the cost (the bargain element) will be taxed at the ordinary tax rates. If the stock is held for later resale, then the appreciation of the shares from the time of purchase until the time of sale will be treated either as a long term or short term capital gain, depending on whether the holding period was more or less than 12 months.

Timing of cash and tax events

The exercise and the sale in many cases will take place in different years. As a result you need to recognize that the net cash results of a particular grant will appear different in the Worksheet than in the Summary report.

For example, an ISO option exercised in 2003 with the stock then sold in 2005 will show taxes due in 2005, and cash realized in the same year. On the other hand, a NQSO exercised in 2003 will show ordinary tax paid on the bargain element in 2003, then if the shares are held and later sold in 2005, a capital gain tax will be paid at that time, with the cash from the sale realized in 2005.

Alternate Minimum Tax

When exercising an ISO, the amount of the bargain element will be reported as AMT Income, and may require payment of alternate minimum tax. When the stock shares are sold an AMTI adjustment will be available, potentially offsetting the original AMTI. Due to the complicated nature of the AMT tax calculations, the actual AMT tax due may be dramatically different than the amount illustrated.

PERSONAL EXPENSES

<u>Description</u>	<u>Total annual amount</u>	<u>Increase rate</u>
Rent or lease payments (not mortgage)		
Food and household incidentals	6,300	5.00
Utilities, telephone	2,940	3.00
Auto operating and maintenance	5,360	3.00
Clothing and personal items	600	2.00
Property improvements and upkeep	3,080	3.00
Domestic help, babysitting	1,800	4.00
Allens hobbies	1,500	5.00
Entertainment, vacations	4,100	4.00
Allowance & kids entertainment	1,800	3.00
Cell phone	1,344	5.00
Boat upkeep	300	7.00
Books, papers and subscriptions	300	3.00
Home furnishings	1,000	3.00
Gifts, birthdays	3,800	5.00
Misc.	5,200	3.00
0		
0		
0		
0		
0		
0		
0		
0		
0		
0		
Total	39,424	

Misc. Insurance Premiums:

Retirement @ 65

A4a

Age	Auto Insurance	Homeowners Insurance	Disability Insurance		Medical insurance		Long Term Care		Total Misc premiums
	400	385	Allen	Betty	Allen	Betty	Allen	Betty	
	1	2	3	4	5	6	7	8	9
57	\$400	\$385	\$450						\$1,235
58	415	400	450						1,265
59	431	415	450						1,296
60	448	431	450						1,328
61	465	447	450						1,362
62	482	464	450						1,397
63	501	482	450						1,433
64	520	501	450						1,471
65	539	518	450						1,507
66	558	537							1,095
67	578	556							1,134
68	599	576							1,175
69	620	597							1,217
70	642	618							1,260
71	665	640							1,306
72	689	663							1,352
73	714	687							1,401
74	739	712							1,451
75	766	737							1,503
76	793	764							1,557
77	822	791							1,613
78	851	820							1,671
79	882	849							1,731
80	914	879							1,793
81	946	911							1,857
82	980	944							1,924
83	1,016	977							1,993
84	1,046	1,007							2,053
85	1,077	1,037							2,114
86	1,110	1,068							2,178
87	1,143	1,100							2,243
88	1,177	1,133							2,310
89	1,213	1,167							2,380
90	1,249	1,202							2,451
91	1,286	1,238							2,525
92	1,325	1,275							2,600
93	1,365	1,314							2,678
94	1,406	1,353							2,759
95	1,448	1,394							2,841
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Single Year Income or Expense

Retirement @ 65

A3a

	Income or expense amount	Tax treatment					Capital gains
		Taxed as ordinary income	Allen salary	Betty salary	Allen self employ.	Betty self employ.	
	1	2	3	4	5	6	7
57							
58							
59							
60							
61	50,648						
62							
63							
64	(20,000)						
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Itemized Deduction & Exemption: Retirement @ 65

C2

Ages		Mortgage interest deduct.	Medical expense & premium	Charitable contribution	Property & other tax	State tax	Misc. Item. deduct.	Total Item. deduct.	No. Exmp	Personal exemption 3,050
		1	2	3	4	5	6	7	8	9
57	54	\$6,026		\$750	\$2,200	\$10,638	\$1,704	\$21,318	4	\$3,050
58	55	5,587		773	2,261	10,966	1,461	21,046	4	3,111
59	56	5,110		796	2,323	9,011	2,021	19,260	4	3,173
60	57	4,594		820	2,387	10,653	2,119	20,571	4	3,237
61	58	4,034		844	2,452	11,113	2,193	20,636	3	3,301
62	59	3,428		869	2,520	9,669	2,325	18,811	3	3,367
63	60	2,770		896	2,589	9,658	2,459	18,372	3	3,435
64	61	2,058		922	2,660	9,688	2,628	17,956	2	3,503
65	62	1,286		950	2,733	5,889	3,623	14,482	2	3,574
66	63	450		979	2,808	5,740	3,811	13,788	2	3,645
67	64			1,008	2,886	5,700	3,980	13,573	2	3,718
68	65			1,038	2,965	2,079	5,022	11,104	2	3,792
69	66			1,069	3,047	1,938	5,226	11,280	2	3,868
70	67			1,101	3,130	1,520	5,496	11,248	2	3,946
71	68			1,134	3,216	1,432	5,699	11,481	2	4,024
72	69			1,168	3,305	3,105	5,699	13,278	2	4,105
73	70			1,204	3,396	4,634	5,557	14,791	2	4,187
74	71			1,240	3,489	5,209	5,668	15,606	2	4,271
75	72			1,277	3,585	5,811	5,782	16,455	2	4,356
76	73			1,315	3,684	6,394	5,903	17,296	2	4,443
77	74			1,355	3,785	6,991	6,029	18,160	2	4,532
78	75			1,395	3,889	7,361	6,215	18,860	2	4,623
79	76			1,437	3,996	7,714	6,407	19,555	2	4,715
80	77			1,480	4,106	8,076	6,607	20,269	2	4,810
81	78			1,525	4,219	8,463	6,811	21,018	2	4,906
82	79			1,570	4,335	8,877	7,024	21,805	2	5,004
83	80			1,617	4,454	9,307	7,243	22,622	2	5,104
84	81			1,666	4,576	7,421	7,458	21,121	2	5,206
85	82			1,716	4,702	11,289	8,230	25,937	1	5,310
86	83			1,767	4,832	12,473	8,503	27,575	1	5,416
87	84			1,820	4,965	13,130	8,786	28,700	1	5,525
88	85			1,875	5,101	13,693	9,083	29,752	1	5,635
89	86			1,931	5,241	14,249	9,392	30,813	1	5,748
90	87			1,989	5,385	8,148	9,684	25,207	1	5,863
91	88			2,049	5,534	4,700	10,012	22,295	1	5,980
92	89			2,110	5,686	7,279	9,784	24,859	1	6,100
93	90			2,174	5,842	18,145	7,760	33,921	1	6,222
94	91			2,239	6,003	22,477	7,170	37,888	1	6,346
95	92			2,306	6,168	17,617	8,592	34,684	1	6,473
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Normal retirement at age 65