

## RETIREMENT NEEDS ANALYSIS

Retirement @ 65

In order to determine whether you will have adequate income and capital to fund your retirement, a number of factors must be evaluated:

- Income needed for basic living expense and number of years required.
- Income available from Social Security, pensions or other sources.
- Extraordinary income or expense items that will affect your retirement capital.
- Existing savings, investment and retirement funds and annual additions to the accounts.
- The effect of inflation on income and expenses.
- The rate of return you are able to earn on your accounts.
- The effect of income taxes on your income sources and accounts.

You are now age 57 and plan to retire at age 65. That leaves you only 8 years to prepare for you financial independence.

The anticipated expenses and various income streams available are illustrated below. In order to help you visualize the relative value of the income streams, we have shown the total amount of payments needed or received over your retirement years through life expectancy, as well as the value of the streams of income at retirement.

<b>Income needed:</b>	Total monthly expenses in today's \$ (a)	Inflation rate	Inflation adjusted expenses (b)	Cumulative expense Retirement through life expectancy	
Current living expenses	\$6,267	3.82%	n/a	n/a	
Living expenses at age 65	5,753	3.57%	\$7,530	\$4,135,381 (c)	G1
Changing at age 70 to ...	4,408	3.58%	6,946		
Changing at age 84 to ...	5,209	3.00%	13,198		
<b>Sources of income: (d)</b>				<u>Total income (d)</u>	
Social Security - Allen	1,715	2.00%		585,776	G1
Social Security - Betty	1,192	2.00%		791,715	G1
Pension - Allen	550			142,197	G2
					G2
Other income items & insurance				300,986	G4
<b>Miscellaneous expenses: (e)</b>				<u>Misc inc./exp.</u>	
Education funding and other goals				(76,958)	G4
Other expense items				(48,875)	
			<u>Total income or expenses</u>	\$1,694,841	
<b>Income shortfall - amount needed compared to amount available</b>				\$2,440,540	

(a) Total expense = personal expense, itemized deductions, insurance prem., debts and mortgages, saving and invest. (G1a)

(b) Inflation adjustments apply only to those items exposed to inflation (not debts, life insurance, etc.)

(c) Cumulative expense is the total of all expense payments needed during retirement through life expectancy.

(d) The "Sources of income" represents the sum of all monthly or annual income expected from Social Security, pensions (after tax) or other anticipated income source. Any life insurance benefit shown is received at life expectancy.

(e) Total of all expense items from education, goals and other single or multiple year expenses.

Note: Income taxes are not included with expenses as the taxes are paid out of the sources of taxable income.

Note: Inflation rates on pensions are not shown. Refer to appendix G2 for more details.

Normal retirement at age 65

## RETIREMENT CAPITAL ANALYSIS

Retirement @ 65

**The remaining expense anticipated during your retirement is . . . . .** **\$2,440,540** C2  
 (This amount was carried forward from the Retirement Needs Analysis page.)

**At age 65 the remaining expense could require capital of approximately . . . . .** **\$950,000**

*(This assumes an after tax rate of return of 6.00% on assets used to fund shortage. The actual amount of capital needed will vary depending on the type of savings and investments used and their tax treatment.)*

Estimate of future asset account values	Annual additions	Current value used for retirement estimate	Weighted average rate	Pre-retirement average after tax rate	Future* Value at age 65
Taxable accounts		\$161,075	7.01%	4.66%	\$176,976
Equity & other accounts	3,132	130,394	7.30%	5.84%	299,652
Tax free accounts		25,000	5.70%	5.70%	69,630
Tax deferred annuity or govt bonds.		30,000	7.25%	7.25%	85,191
Tax def retire accts - Allen	1,800	32,000	5.50%	5.50%	69,487
Tax def retire accts - Betty	3,960	27,300	8.20%	8.20%	101,057
Roth IRA	<u>3,500</u>	<u>9,754</u>	<u>7.50%</u>	<u>7.50%</u>	69,668
<b>Total Asset values</b>		<b>\$415,522</b>	<b>7.01%</b>	<b>5.64%</b>	<b>\$871,661</b>

*\* Pre-retirement expenses (education, etc) may cause one or more asset groups to be partially or fully depleted before retirement.*

**You might have as much as \$871,661 capital available at retirement.**  
**These funds could last until your age 93 at which time your funds will be depleted.**  
*The results are hypothesized, based on the assumptions used, and are not guaranteed.*

In order to make up this shortage of capital required for your retirement, you have several choices:

- |  |   |       |             |       |  |       |             |       |  |       |             |       |  |
|--|---|-------|-------------|-------|--|-------|-------------|-------|--|-------|-------------|-------|--|
| <p><b>1. Increase the before-tax "weighted average" rate of return on all your existing asset accounts to . . .</b></p>  | <p>Average rate</p> <p style="background-color: yellow;"><b>7.71%</b></p> |       |             |       |  |       |             |       |  |       |             |       |  |
| <p><b>2. Increase the amount of money being added to your savings and investments.</b><br/> <b>You would have to make the following additional monthly deposits at a return of ...</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; text-align: right;">5.00%</td> <td style="width: 30%;">after tax =</td> <td style="width: 20%; background-color: yellow; text-align: center;">\$720</td> <td style="width: 20%;"></td> </tr> <tr> <td style="text-align: right;">7.00%</td> <td>after tax =</td> <td style="background-color: yellow; text-align: center;">\$370</td> <td></td> </tr> <tr> <td style="text-align: right;">9.00%</td> <td>after tax =</td> <td style="background-color: yellow; text-align: center;">\$190</td> <td></td> </tr> </table> <p style="text-align: right; margin-top: 5px;">(Assuming deposits are increased by 3.50% per year.)</p> |   | 5.00% | after tax = | \$720 |  | 7.00% | after tax = | \$370 |  | 9.00% | after tax = | \$190 |  |
| 5.00%  | after tax =   | \$720 |             |       |  |       |             |       |  |       |             |       |  |
| 7.00%  | after tax =   | \$370 |             |       |  |       |             |       |  |       |             |       |  |
| 9.00%  | after tax =   | \$190 |             |       |  |       |             |       |  |       |             |       |  |
| <p><b>3. Use some combination of the two methods shown above.</b></p>  |   |       |             |       |  |       |             |       |  |       |             |       |  |

*Note - the tax rate used on growth assets is 20.00% before retirement and 15.00% after retirement. All other asset accounts use a tax rate of 33.57% before retirement and 33.57% after retirement*

**Retirement Capital Projection:**

Retirement @ 65

D

Ages		Annual Expenses incl. tax	Less				Annual surplus	Begin. year Account totals	
			Earned income	Retirement acct distr.*	Investment acct distr.*	Pensions/ Soc Sec			Other Inc. & St. Opt.
		1	2	3	4	5	6	7	8
57	54	\$93,930	\$106,000					\$12,069	\$435,522
58	55	114,124	106,000				22,000	13,876	492,235
59	56	115,176	106,000		9,176				555,173
60	57	109,995	106,000				35,184	31,188	599,208
61	58	116,338	106,000				104,213	93,874	690,360
62	59	121,129	106,000		15,129				855,266
63	60	119,049	106,000		13,049				916,501
64	61	141,808	106,000		35,808				984,875
65	62	133,446	35,000		67,606	30,841			1,034,342
66	63	112,279	35,000		45,822	31,457			1,040,926
67	64	98,918	35,000		26,832	32,087	5,000		1,071,671
68	65	98,033			42,527	50,507	5,000		1,125,309
69	66	88,766			32,250	51,517	5,000		1,159,829
70	67	87,317		3,342	31,428	52,547			1,207,910
71	68	89,398		3,512	32,288	53,598			1,256,872
72	69	91,816		3,691	33,455	54,670			1,308,381
73	70	100,641		12,012	32,866	55,763			1,362,230
74	71	105,834		12,842	36,114	56,879			1,411,674
75	72	111,083		13,729	39,338	58,016			1,460,310
76	73	115,870		14,677	42,016	59,177			1,508,045
77	74	120,738		15,668	44,709	60,360			1,555,330
78	75	125,755		16,750	47,438	61,567			1,602,068
79	76	130,316		17,879	49,638	62,799			1,648,081
80	77	134,978		19,018	51,905	64,055			1,693,832
81	78	139,942		20,296	54,310	65,336			1,739,215
82	79	145,297		21,577	57,078	66,642			1,783,899
83	80	150,848		22,931	59,942	67,975			1,827,438
84	81	178,447		24,360	24,752	69,335	60,000		1,869,562
85	82	179,546		25,823	112,898	40,826			1,950,890
86	83	196,368		27,360	127,366	41,642			1,941,948
87	84	204,713		28,973	133,264	42,475			1,915,119
88	85	211,626		30,504	137,797	43,325			1,878,209
89	86	218,398		32,085	142,122	44,191			1,832,024
90	87	225,295		33,644	146,576	45,075			1,776,050
91	88	212,632		35,238	131,418	45,977			1,710,948
92	89	211,077		36,858	127,323	46,896			1,657,649
93	90	226,954		38,225	140,895	47,834			1,604,779
94	91	274,841		39,476	186,575	48,791			1,532,176
95	92	297,630		40,679	132,185	49,766	75,000		1,404,094
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Note - Cl\* = client life expectancy age. Sp\* = spouse life expectancy age.

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\*Investment and Retirement distributions include withdrawals from account totals to satisfy "Income needed" shortages from Cash Flow report.

Normal retirement at age 65

**Account Summary:**

Retirement @ 65

B

Ages		Taxable account 7.01%	Equity & other 7.24%	Tax free 5.70%	Tax deferred 7.25%	Qualified Retire accts 6.74%	Roth IRAs 7.50%	Begin. year Account totals
		1	2	3	4	5	6	7
57	54	\$161,075	\$150,394	\$25,000	\$30,000	\$59,300	\$9,754	\$435,522
58	55	174,942	169,825	28,976	34,764	69,482	14,247	492,235
59	56	190,166	191,468	33,560	40,260	80,641	19,078	555,173
60	57	193,669	208,759	35,472	43,178	92,859	25,271	599,208
61	58	213,911	240,711	44,087	52,998	106,226	32,428	690,360
62	59	248,986	301,902	66,444	76,975	120,836	40,122	855,266
63	60	250,239	327,287	70,231	82,555	136,794	49,393	916,501
64	61	253,806	354,544	74,234	88,540	154,211	59,539	984,875
65	62	233,270	383,808	78,465	94,959	173,208	70,631	1,034,342
66	63	177,269	411,611	82,937	101,843	191,337	75,928	1,040,926
67	64	140,655	441,427	87,664	109,226	211,076	81,622	1,071,671
68	65	121,797	473,404	92,660	117,144	232,560	87,743	1,125,309
69	66	84,823	507,697	97,941	125,636	249,408	94,323	1,159,829
70	67	56,256	544,474	103,523	134,744	267,515	101,397	1,207,910
71	68	26,567	583,916	109,423	144,512	283,452	109,001	1,256,872
72	69		620,080	115,660	154,989	300,475	117,176	1,308,381
73	70		629,120	122,252	166,225	318,668	125,964	1,362,230
74	71		639,447	129,220	178,276	329,319	135,411	1,411,674
75	72		647,039	136,585	191,201	339,918	145,566	1,460,310
76	73		651,723	144,370	205,063	350,405	156,483	1,508,045
77	74		653,874	152,599	219,930	360,707	168,219	1,555,330
78	75		653,293	161,297	235,874	370,768	180,835	1,602,068
79	76		649,743	170,490	252,974	380,476	194,397	1,648,081
80	77		643,577	180,207	271,314	389,757	208,976	1,693,832
81	78		634,533	190,478	290,984	398,570	224,649	1,739,215
82	79		622,254	201,335	312,080	406,732	241,497	1,783,899
83	80		606,117	212,811	334,705	414,195	259,609	1,827,438
84	81		585,740	224,941	358,971	420,830	279,079	1,869,562
85	82		601,626	237,762	384,996	426,496	300,009	1,950,890
86	83		524,132	251,314	412,908	431,084	322,509	1,941,948
87	84		425,507	265,638	442,843	434,433	346,697	1,915,119
88	85		313,413	280,779	474,949	436,368	372,699	1,878,209
89	86		188,337	296,783	509,382	436,870	400,651	1,832,024
90	87		49,561	313,699	546,312	435,778	430,699	1,776,050
91	88			229,036	585,919	432,992	463,001	1,710,948
92	89			103,182	628,398	428,343	497,726	1,657,649
93	90				648,065	421,659	535,055	1,604,779
94	91				543,939	413,053	575,184	1,532,176
95	92				383,272	402,500	618,322	1,404,094
96	93				269,290	389,895	664,696	1,323,881
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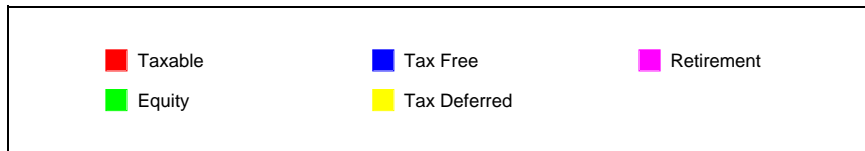
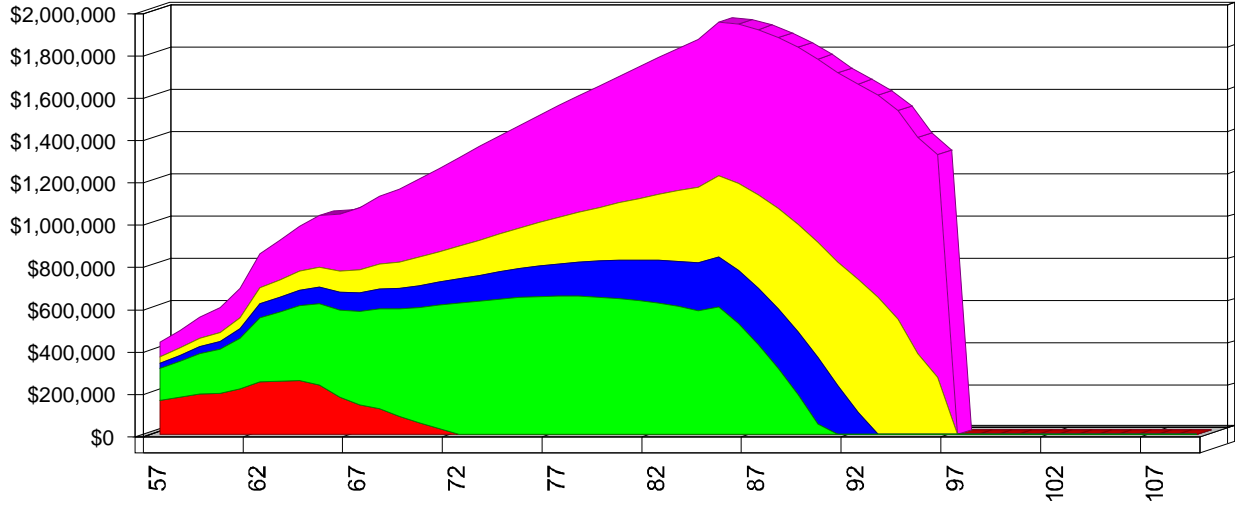
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# ACCOUNT SUMMARY

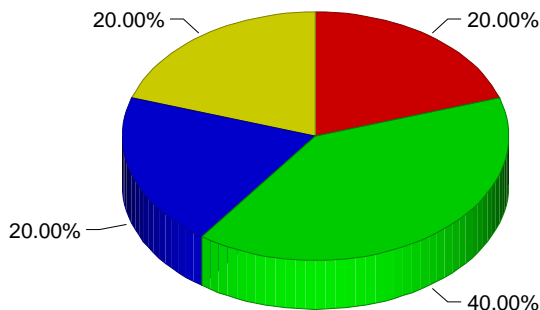
Retirement @ 65



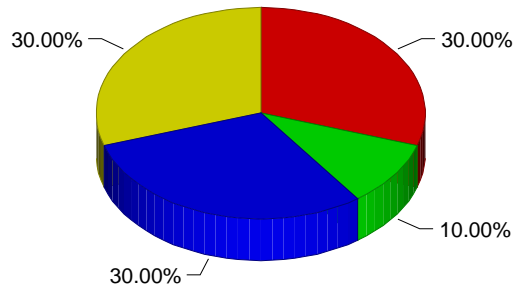
### Allocation of Surplus Cash Flow

In years when there is a surplus of spendable income, the surplus is reinvested into the asset account in the proportions shown below. Period 1 covers the years up to age 70

**Period 1**



**Period 2**



In years when there is a shortage of spendable income from earnings, pensions, social security, interest and dividends taken in cash, and miscellaneous income sources, the shortage is made up by withdrawal from asset and retirement accounts. It is assumed that funds are taken in the following order: from taxable equity and other non-qualified, tax free, tax deferred and then qualified retirement account

**Taxable Account:**

Retirement @ 65

B1

Age	Begin year Account balance	Annual additions or withdrawals				Annual interest		Taxable income
		Annual deposit	Cash flow surplus (short)	Cash withdrawal	Transfers in (out)	% rate	\$ amount	
	1	2	3	4	5	6	7	8
57	\$161,075		\$2,414			7.01	\$11,453	\$11,453
58	174,942		2,775			7.01	12,450	12,450
59	190,166		(9,176)			7.01	12,679	12,679
60	193,669		6,238			7.01	14,004	14,004
61	213,911		18,775			7.01	16,300	16,300
62	248,986		(15,129)			7.01	16,382	16,382
63	250,239		(13,049)			7.01	16,616	16,616
64	253,806		(35,808)			7.01	15,271	15,271
65	233,270		(67,606)			7.01	11,605	11,605
66	177,269		(45,822)			7.01	9,208	9,208
67	140,655		(26,832)			7.01	7,974	7,974
68	121,797		(42,527)			7.01	5,553	5,553
69	84,823		(32,250)			7.01	3,683	3,683
70	56,256		(31,428)			7.01	1,739	1,739
71	26,567		(26,567)			7.01		
72						7.01		
73						7.01		
74						7.01		
75						7.01		
76						7.01		
77						7.01		
78						7.01		
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**Equity and Other accounts:**

Retirement @ 65

B2

Age	Begin year Account balance	Annual additions or withdrawals				Dividends		Annual apprec.		Taxable Income	
		Annual deposit	Cash flow surplus (short)	Cash withdrawal	Transfer in (out)	Rate %	\$ amount	Rate %	\$ amount	Dividend at ordin. rate	Capital gains *
	1	2	3	4	5	6	7	8	9	10	11
57	\$150,394	\$3,132	\$4,828			1.96	\$3,108	5.28	\$8,364	\$2,486	\$622
58	169,825	3,161	5,550			1.96	3,503	5.28	9,429	2,802	701
59	191,468	3,190				1.96	3,820	5.28	10,281	3,056	764
60	208,759	3,219	12,475			1.96	4,404	5.28	11,854	3,523	881
61	240,711	3,249	37,550			1.96	5,524	5.28	14,868	4,419	1,105
62	301,902	3,279				1.96	5,989	5.28	16,118	4,791	1,198
63	327,287	3,309				1.96	6,487	5.28	17,461	5,190	1,297
64	354,544	3,339				1.96	7,023	5.28	18,902	5,618	1,405
65	383,808					1.96	7,532	5.28	20,271	6,026	1,506
66	411,611					1.96	8,077	5.28	21,739	6,462	1,615
67	441,427					1.96	8,663	5.28	23,314	6,930	1,733
68	473,404					1.96	9,290	5.28	25,003	7,432	1,858
69	507,697					1.96	9,963	5.28	26,814	7,970	1,993
70	544,474					1.96	10,685	5.28	28,757	8,548	2,137
71	583,916		(5,721)			1.96	11,347	5.28	30,538	9,078	2,269
72	620,080		(33,455)			1.96	11,512	5.28	30,983	9,210	11,620
73	629,120		(32,866)			1.96	11,701	5.28	31,492	9,361	11,928
74	639,447		(36,114)			1.96	11,840	5.28	31,866	9,472	14,018
75	647,039		(39,338)			1.96	11,926	5.28	32,096	9,541	16,243
76	651,723		(42,016)			1.96	11,965	5.28	32,202	9,572	18,317
77	653,874		(44,709)			1.96	11,954	5.28	32,174	9,563	20,506
78	653,293		(47,438)			1.96	11,889	5.28	31,999	9,511	22,820
79	649,743		(49,638)			1.96	11,777	5.28	31,695	9,422	24,920
80	643,577		(51,905)			1.96	11,611	5.28	31,250	9,289	27,138
81	634,533		(54,310)			1.96	11,386	5.28	30,645	9,109	29,525
82	622,254		(57,078)			1.96	11,091	5.28	29,850	8,873	32,238
83	606,117		(59,942)			1.96	10,718	5.28	28,847	8,574	35,118
84	585,740		(24,752)			1.96	11,009	5.28	29,629	8,807	11,631
85	601,626		(112,898)			1.96	9,591	5.28	25,813	7,673	74,398
86	524,132		(127,366)			1.96	7,786	5.28	20,955	6,229	87,211
87	425,507		(133,264)			1.96	5,735	5.28	15,435	4,588	94,277
88	313,413		(137,797)			1.96	3,446	5.28	9,275	2,757	100,586
89	188,337		(142,122)			1.96	906	5.28	2,440	725	106,966
90	49,561		(49,561)			1.96		5.28			38,072
91						1.96		5.28			
92						1.96		5.28			
93						1.96		5.28			
94						1.96		5.28			
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**Tax Free Account:**

Retirement @ 65

B3

Age	Begin year Account balance	Annual additions or withdrawals				Annual interest	
		Annual deposit	Cash flow surplus (short)	Cash withdrawal	Transfer in (out)	% rate	Annual interest
	1	2	3	4	5	6	7
57	\$25,000		\$2,414			5.70	\$1,562
58	28,976		2,775			5.70	1,809
59	33,560					5.70	1,912
60	35,472		6,238			5.70	2,377
61	44,087		18,775			5.70	3,583
62	66,444					5.70	3,787
63	70,231					5.70	4,003
64	74,234					5.70	4,231
65	78,465					5.70	4,472
66	82,937					5.70	4,727
67	87,664					5.70	4,996
68	92,660					5.70	5,281
69	97,941					5.70	5,582
70	103,523					5.70	5,900
71	109,423					5.70	6,237
72	115,660					5.70	6,592
73	122,252					5.70	6,968
74	129,220					5.70	7,365
75	136,585					5.70	7,785
76	144,370					5.70	8,229
77	152,599					5.70	8,698
78	161,297					5.70	9,193
79	170,490					5.70	9,717
80	180,207					5.70	10,271
81	190,478					5.70	10,857
82	201,335					5.70	11,476
83	212,811					5.70	12,130
84	224,941					5.70	12,821
85	237,762					5.70	13,552
86	251,314					5.70	14,324
87	265,638					5.70	15,141
88	280,779					5.70	16,004
89	296,783					5.70	16,916
90	313,699		(97,015)			5.70	12,351
91	229,036		(131,418)			5.70	5,564
92	103,182		(103,182)			5.70	
93						5.70	
94						5.70	
95						5.70	
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**Tax Deferred Account:**

Retirement @ 65

B4

Age	Begin year Account balance	Annual additions or withdrawals				Annual interest		Cumulative	
		Annual deposit	Cash flow surplus (short)	Cash withdrawal	Transfer in (out)	% rate	Annual interest	Taxable income	defer. interest
	1	2	3	4	5	6	7	8	9
57	\$30,000		\$2,414			7.25	\$2,350		\$2,350
58	34,764		2,775			7.25	2,721		5,071
59	40,260					7.25	2,918		7,989
60	43,178		6,238			7.25	3,582		11,571
61	52,998		18,775			7.25	5,203		16,774
62	76,975					7.25	5,580		22,354
63	82,555					7.25	5,985		28,339
64	88,540					7.25	6,419		34,758
65	94,959					7.25	6,884		41,642
66	101,843					7.25	7,383		49,025
67	109,226					7.25	7,918		56,943
68	117,144					7.25	8,492		65,435
69	125,636					7.25	9,108		74,543
70	134,744					7.25	9,768		84,311
71	144,512					7.25	10,477		94,788
72	154,989					7.25	11,236		106,024
73	166,225					7.25	12,051		118,075
74	178,276					7.25	12,925		131,000
75	191,201					7.25	13,862		144,862
76	205,063					7.25	14,867		159,729
77	219,930					7.25	15,944		175,673
78	235,874					7.25	17,100		192,773
79	252,974					7.25	18,340		211,113
80	271,314					7.25	19,670		230,783
81	290,984					7.25	21,096		251,879
82	312,080					7.25	22,625		274,504
83	334,705					7.25	24,266		298,770
84	358,971					7.25	26,025		324,795
85	384,996					7.25	27,912		352,707
86	412,908					7.25	29,935		382,642
87	442,843					7.25	32,106		414,748
88	474,949					7.25	34,433		449,181
89	509,382					7.25	36,930		486,111
90	546,312					7.25	39,607		525,718
91	585,919					7.25	42,479		568,197
92	628,398		(24,141)			7.25	43,808	24,141	587,863
93	648,065		(140,895)			7.25	36,769	140,895	483,737
94	543,939		(186,575)			7.25	25,908	186,575	323,070
95	383,272		(132,185)			7.25	18,203	132,185	209,088
96	269,290					7.25	19,523		228,611
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