Financial Plan

Prepared for

Fred & Barbara Winthrop

August 25, 2010

Prepared by

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Summary of Recommendations

Date: August 25, 2010

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Prepared by: William H. Keffer
Certified Financial Planner™

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Disclosures

Consult Your Tax and Legal Professionals

To be effective, a financial plan must consider the tax and legal consequences of current and proposed strategies. However, Keffer Financial Planning does not practice law or accounting and does not hold itself out as an attorney or tax professional. Any strategies or recommendations should be discussed with your tax and legal advisors to ensure applicability in your unique situation.

Assumptions Subject to Change

The results presented in this Plan are based in large part on the information you provided plus many assumptions. While these assumptions are felt to be reasonable and prudent based upon current and historical information, no plan or person has the ability to predict the future. As investment returns, inflation, taxes, cash flow, and other variables differ from the projections, your actual results will vary (in some cases drastically) from those presented in this Plan. Prudent financial planning increases your chances for success, but cannot guarantee that your goals will be achieved.

Historical Returns Offer Guidelines, Not Guarantees

Historical market returns offer the best available guidelines for making decisions about where and how much to save. However, past performance is no guarantee of future results. Investment returns and principal values will fluctuate, cannot be known, and may be worth more or less than the original amount you invest.

Need for Plan Updates

Financial planning is an ongoing process, not a one-time event. This process will help you focus on your most important financial objectives and determine how best to deploy your resources to achieve those objectives. Planning provides the structure and discipline needed to accomplish goals. As things change over time, however, it is important to assess progress and make changes to ensure ongoing viability.

Scope of Current Project

Keffer Financial Planning was not engaged to review or provide recommendations or advice on any issues other than those listed in this document or in your Consulting Services Agreement.

Objectives

Long-Term Goals

Retirement

Pre-tax income of $109,000
After-tax income of $90,000

Short-Term Goals

General Financial Checkup

Assess readiness for secure retirement early in 2010
Advise on decision regarding pension payments versus lump sum

Portfolio Review

Recommend investment mix appropriate for time horizon and risk tolerance

Repay Loans

Factor into Plan repayment of mortgage loan within first five years of retirement

Vacation

Include a $7,000 trip every year through age 80

Executive Summary

Background

You had planned on retiring at age 67 in the summer of 2010. Your company has offered financial incentives worth over $90,000 if you retire now. You also have a defined benefit pension plan which includes a choice of lifetime payments of roughly $65,000 per year or a lump sum distribution of about $720,000. The company has also offered to allow you to leave on February 1, 2010 in order to possibly ease the tax burden.

In addition to these company-provided retirement benefits, you have accumulated roughly $1.6 million in investment assets. You feel that you will need about $72,000 per year from your investments, above and beyond $37,000 from Social Security.

Key Issues and Goals of the Plan

The financial planning issues are straightforward:

- Is the lump sum pension distribution preferable to the lifetime payments?
- What are the relative merits of taking the package on 2/1 or turning down the package and waiting until your 67th birthday next summer?
- Will your resources support your anticipated needs throughout a long retirement?
- How can you minimize the tax burden of the separation package?
- What is the best way to invest the assets for sustainable inflation-adjusted income?

In addition to the $109,000 in gross annual retirement income goal, you plan on annual travel costing $7,000 per year through age 80. You would also like to accelerate the repayment of your $200,000 mortgage balance so that it is eliminated within five years.

Implementation and Result

We calculated the present value of the pension income and compared it to the lump sum. This was done for seven different investment returns. The lump sum had the higher value in all cases except a scenario in which you invested the money extremely conservatively.

Financial planning software was used to model the results (1) taking the lump sum and separation package on 2/1/10 and (2) working until 6/1/10, trading the separation package for four months' more income and a slightly larger pension benefit. In both cases, you were projected to be able to fund 100% of your goals to age 97 with a 99% probability of success and an ending portfolio value in excess of $6,900,000.

The tax burden of the "package" can be reduced by delaying until next year and fully funding your 401k (including catch-up) for 2010. Longer term, there are a number of additional strategies (Roth conversion, municipal bonds) recommended in your Plan.

Your recommended portfolio includes about the same level of stocks as you currently have, but a much higher allocation to bonds and less to cash. We also suggest more low-cost index funds and an account structure designed to ensure liquidity in choppy markets.

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Assumptions

General

- Inflation: 4.50%
- Tax rates: Current federal and state tax rates
- Life expectancy: Age 97[1]

Cash Flow

- Pre-retirement annual salary increases at rate of inflation
- Income adequate to cover all expenses not identified as Goals in Planning Reports
- Goals in retirement funded from income sources first, then portfolio

Investments

- Investment assets held in low-cost index funds
- Minimal trading and investment management expenses
- Use of no-load or low-load investments
- No additional asset-management or "wrap fees" erode returns
- Projected rates of return based on historical returns for asset classes as illustrated below:

Historical Returns By Asset Class, 1970-2008*

Asset Class	Rate of Return
Cash Equivalent	4.84%
Short Term Bonds	6.37%
Intermediate Term Bonds	7.32%
Long Term Bonds	7.93%
Large Cap Value Stocks	7.96%
Large Cap Growth Stocks	7.70%
Mid Cap Stocks	9.20%
Small Cap Stocks	10.73%
International Developed Stocks	8.80%
International Emerging Stocks	8.38%

*Reduced by 1% for fund expenses and trading costs

[1] Probability of one spouse surviving to age 98: 20%

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Financial Status

General Background

Balance Sheet

Your Balance Sheet (sometimes called Net-Worth Statement) is helpful in understanding your financial status. This is a listing of all that you own (assets) and all that you owe (liabilities). The assets minus the liabilities equal your net worth at that point in time. Comparing this number from year to year will show your progress over time.

Cash Reserves

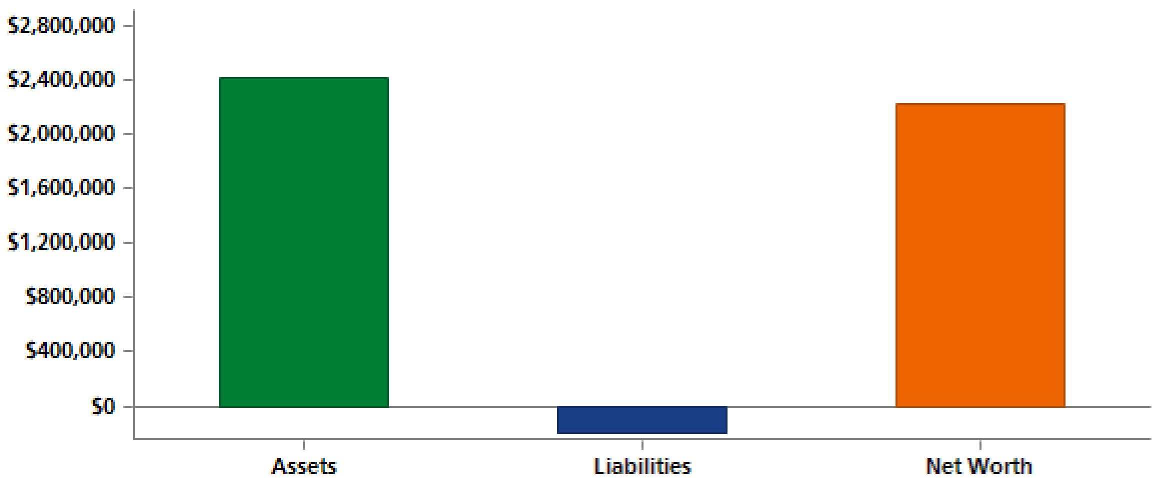
Between three and six months' living expenses should be held in a fairly liquid form and used only for emergencies.

Observations and Analysis

Your Net Worth

Net Worth Summary

Total Assets	$2,418,755
Total Liabilities	$202,599
Net Worth	**$2,216,156**



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Net Worth Detail Statement as of 09/09/2009

Description	Client	Spouse	Joint	Total
Investment Assets				
Retirement Plans :	$960,999	$0	$0	$960,999
Traditional IRA :	$281,782	$94,703	$0	$376,485
Roth IRA :	$25,699	$0	$0	$25,699
Annuities :	$3,222	$0	$0	$3,222
Taxable :	$226,672	$0	$105,835	$332,507
Total Investment Assets	**$1,498,374**	**$94,703**	**$105,835**	**$1,698,912**
Other Assets				
Pension and Deferred Compensation :	$719,843	$0	$0	$719,843
Total Other Assets	**$719,843**	**$0**	**$0**	**$719,843**
Liabilities				
Home and Land Loans :	$202,599	$0	$0	$202,599
Total Liabilities	**$202,599**	**$0**	**$0**	**$202,599**

Note that the figures above do not include the substantial lump sum pension benefit you should be receiving upon retirement. This amount is projected to be $720,000. Thus your total investment assets entering retirement should be about $2.4 million.

Your Cash Reserves

Although you currently have $274,000 invested in cash and cash equivalents, most of this is in the “Stable Asset” fund in your 401k. Only $5,000 is in non-retirement accounts.

Given the substantial need for cash to cover retirement living expenses ($72,000/year) and to pay off your mortgage over the next five years ($46,000/year), you may wish to have much more of these liquid assets in taxable accounts and less in long-term retirement funds. Accordingly, the Retirement Distribution strategy explained in that section of this Plan calls for $160,000 in bank savings and CDs and another $173,000 in a Cash Reserve Account comprised of a money market fund and a short-term bond fund.

Recommendations

- Maintain reserves in a savings, money market, and CD accounts of at least $200,000
- Keep another $130,000 in a high-quality short-term bond fund

Cash Flow

General Background

Cash Flow Statement

Your Cash Flow statement lists your expected income for a time period and your expenses for the same period. Income sources generally include employment income, income from pensions, Social Security, and annuities, and business and rental income. Investment income is comprised of interest, dividends, and capital gains.

Expenses that are non-negotiable include taxes, home expenses, insurance premiums, food, clothing, healthcare costs, transportation, and loan payments. Some of the expenses, such as dining out and entertainment are discretionary. By tracking and categorizing spending, you can identify dollars that might be available for more important purposes (retirement, education) or that may need to cut in order to balance your budget.

Calculating Basic Living Expense Need

Of the hundreds of assumptions used in creating a financial plan, perhaps the single most important is the estimate of after-tax living expenses during retirement. Ideally, one would use today's detailed budget and adjust line-by-line for anticipated changes in retirement. For many clients, however, it is difficult to maintain an accurate accounting of all income and spending. In the absence of a detailed budget, our financial planning software calculates your living expenses as gross income less taxes less 5% savings.

Analyzing Spending

Tracking Expenses

It is very important to know what you are actual spending is so that you can budget for the things that are most important to you. If you use personal finance software (e.g., *Quicken, MS Money*) or an online service, such as *Mint*, it may be easier to track these items. Keffer Financial Planning can provide Cash Flow Questionnaire in either document form or as an *Excel* worksheet, if it would be helpful to you.

Identifying Needs, Wants, and Luxuries

Once you have identified the amounts spent on different budget items, it can be useful to categorize each item as a need, want or luxury. You can then make good decisions about what to cut or eliminate.

Defining Goals

Goals for major purchases – items that fall outside of basic living expenses – must be clearly defined in dollars and by due date.

Managing Debt

Generally, it is better to be a saver than a borrower. There are, however, certain items such as homes and college educations that justify borrowing. These are assets that have long useful lives and that actually appreciate in value. Moreover, for most consumers, the interest on mortgage and education debt is deductible. Most other types of debt – such as credit cards and other consumer loans – are generally best avoided.

Two measurements that are used assess debt structure are the ratio of housing expenses to income and the ratio of total debt payments to income.

Housing Expense Benchmark

Total housing expenses divided by gross income should not exceed 28%.

Total Debt-to-Income Ratio

Total debt service divided by gross income should not exceed 36%.

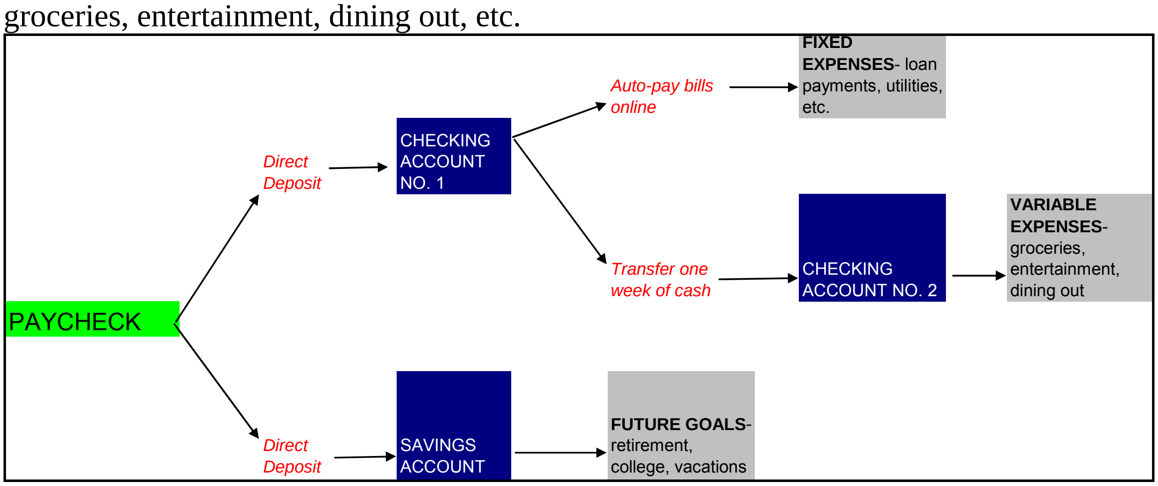
Debt Elimination Plan

If the above ratios exceed the benchmarks, it is generally advisable to concentrate resources on shrinking or eliminating debt in a systematic manner. The priority is usually set by paying off the highest cost (after tax) debt as quickly as possible, making minimum payments on the other accounts.

Managing Cash Flow for the "Budget-Challenged"

For many, managing to a detailed budget can be a challenge. An effective alternative may be the "Bucket Budget" system developed by financial planner Eric Kies.

To implement, establish two checking accounts and a high-yield savings account. Arrange automatic payroll deposits of your target savings goal in the savings account, with the remainder going to checking account No. 1. Set up automatic online payment of your regular recurring bills, such as loan payments and utilities, from this account. Figure out the monthly surplus in this account, divide by four and have this amount transferred weekly to checking account No. 2. This is how much you can spend for groceries, entertainment, dining out, etc.



Observations and Analysis

Your Net Cash Flow

You estimate that your gross income need is $72,000 plus your projected Social Security benefits of approximately $37,000. On this total projected income of $109,000, our tax calculator estimates a tax burden of about $19,000, leaving roughly $90,000 after-tax.

Your Plan assumes that you will cover all expenses with this amount, except for the mortgage repayment that is expected to require about $46,000/year for five years and a trips costing $7,000 per year through age 80.

Your Debt Repayment

Your mortgage balance is $203,000. At 4% interest, you should be able to pay off the loan in five years at the rate of $45,509/year. You have stated that you plan to liquidate shares of Consolidated Tool Works, in which you own about $195,000 worth of stock, to do this. This is the assumption used in your planning projections.

From a risk management perspective, you would normally avoid holding such a large share in any one stock. Moreover, funds earmarked for goals that are due within five years are normally invested in much safer, more liquid assets than equity.

The investment recommendations offered in this plan assume that you sell the individual stocks and reinvest in cash and short-term bonds. Should you choose to retain the individual stock, you should recognize the substantial unsystematic risk of doing so.

Your Savings Plan

As retirement is imminent, there is limited time for additional long-term saving. However, you do plan to make full 401k deferrals in 2009 and 2010 in order to minimize income taxes. You will be receiving just over $90,000 in separation pay upon retirement. This is projected to be the source of the additional savings.

Recommendations

- Carefully monitor spending to ensure you are within the amounts established as goals
- Plan on paying down the mortgage at $45,509/year for five years
- Plan on maximum allowable deferrals into the 401k for 2009 and 2010

Risk Profile

General Background

Types of Risk

Risk in General

Systematic Risk

Systematic risk impacts an entire market rather than just a few companies. Examples might include war or a depression. Systematic risk can not be avoided.

Unsystematic Risk

Unsystematic risk affects just a few companies in a market. Examples would include a strike at a given company or a major management scandal. Unsystematic risk can be minimized through diversification.

Specific Risks of Investing in Stocks or Bonds

Default Risk

This is the risk that a bond issuer can not repay principal and interest to bond holders. Government bonds have lower default risk than corporate bonds. Among corporate bonds, higher-rated companies offer “investment grade” bonds while lower-rated firms issue “junk” bonds.

Country Risk

This is the risk that a country may default on its government bonds or that the entire stock and bond market of that country plunges, leaving investors with significantly lower value in its securities. “Emerging markets” bear the highest country risk.

Foreign Exchange Risk

This is the risk that investments that are in a foreign currency suffer a loss resulting from devaluation in that country’s currency, relative to the U.S. dollar.

Interest Rate Risk

This is the risk that an investment’s value is highly correlated with changes in interest rates. Bonds, for example, are directly impacted. As interest rates rise, a bond’s market value falls. This risk also applies to the stocks of banks and other financial companies.

Political Risk

This is the risk to investors when a country dramatically changes its policies. An example would be the nationalization of the country’s oil companies or a dramatic change in corporate tax rates.

Market Risk

This is the most familiar type of risk. It refers to the day-to-day changes in a stock's price. Sometimes called "volatility," market risk generally is correlated with the opportunity for larger gains and losses.

Risk Tolerance

Your risk tolerance is the amount of volatility (fluctuation in returns) you can be comfortable with as the market moves up and down. Your long-term returns are directly affected by your ability to stay patient and remain invested, even during the expected temporary declines in the market. In short, it is important to take the emotion out of investing.

Risk Capacity

An investor who is fortunate enough to own assets that are not likely to ever be needed can afford to invest those assets in more volatile ways, hoping for a commensurately higher return. By contrast, a portfolio that is earmarked for a particular purpose, with no other resources available for that purpose, should not be invested in something that could go down in value to a significant degree during the time period that it may be needed.

Time Horizon

Your investment time horizon refers to when you will need to use the funds. The sooner you need your money the less risk you should take.

Asset Classes

The basic asset classes are stocks (or equities) and bonds (or fixed income). Stocks have the potential to earn higher returns over long periods of time, but with that higher return comes more volatility. Bonds generally return less over the long haul, but provide a smoother ride. Asset classes can be further subdivided by the types of stock (growth and value), sizes of issuing firms (large and small), and physical location (U.S. and foreign). Bonds are categorized by maturity (cash, short-term, and intermediate-term) and credit quality (government bonds, investment-grade, and junk).

Diversification

Risk is lessened with an increase in diversification among asset classes. A well-diversified portfolio includes appropriate amounts of all asset types, varying levels of risk, and the full spectrum of industries.

Asset Allocation

Asset allocation involves dividing investments among the various categories. It is each investor's formula for spreading (diversifying) assets, based upon tolerance and capacity for risk and the time horizon for the funds. Asset allocation is widely understood to be the single most important factor in determining overall risk and returns. It is many times more important than the selection of individual investments.

Observations and Analysis

Your Risk Tolerance

Based upon your answers to the risk tolerance questions, you are moderately aggressive. This normally indicates a portfolio with 61% in stocks.

In addition to the risk questions, we also asked you the “Stomach Acid” test question: How much loss could you stand to see in your portfolio in a given year without feeling compelled to make changes? Your answer of 10% implies maximum 30% in stocks.

Your Risk Capacity

The size of your portfolio is consistent with the more aggressive risk tolerance identified above. The size of your portfolio should enable you to take the higher level of risk.

Your Liquidity Needs

The “Liquidity Test” helps plan for needs that are scheduled in the next ten years. Your Liquidity Test results point to a portfolio that holds at least 33% in bonds and cash.

Current Allocation

Your current asset allocation, broadly speaking, is 51% stocks, 33% bonds and 16% cash.

Target Allocation

On balance, an overall asset allocation of 55% stocks, 39% bonds, and 6% cash appears most appropriate for your purposes.

Recommendations

Current and Target Portfolios

Portfolio Comparison

Current Amount	Current %	Asset Class	Target %	Target Amount
$273,962	16%	Cash Equivalent	6%	$101,935
$0	0%	Short Term Bonds	16%	$271,826
$566,578	33%	Intermediate Term Bonds	23%	$390,750
$0	0%	Long Term Bonds	0%	$0
$244,837	14%	Large Cap Value Stocks	15%	$254,837
$253,496	15%	Large Cap Growth Stocks	13%	$220,859
$9,370	1%	Mid Cap Stocks	0%	$0
$61,357	4%	Small Cap Stocks	7%	$118,924
$289,312	17%	International Developed Stocks	17%	$288,815
$0	0%	International Emerging Stocks	3%	$50,967
$0	0%	Unclassified**	0%	$0
$1,698,912	**100%**	**Total :**	**100%**	**$1,698,912**

Tax Planning

General Background

Tax and Legal Professionals

Keffer Financial Planning does not hold itself out as an expert in tax matters. It is important, however, to consider the tax implications of your financial plan. Accordingly, this section focuses on financial planning strategies which can impact the amount of income and or estate taxes you may pay, now and in the future. It is recommended that you consult with your CPA or other tax professional before implementing suggestions with tax ramifications.

Tax Planning Strategies

Common strategies include the following:

- Use of a Roth IRA or 401(k) can minimize taxes because future growth and qualified withdrawals are income tax free. Although pre-retirement withdrawals are generally discouraged, you can access your original contributions tax and penalty free. Many people will be in the same or a higher tax bracket in retirement, thus negating the old argument against a Roth versus a traditional IRA. Contributions to a Roth can continue as long as you qualify and have earnings. There is no Required Beginning Date or Required Minimum Distributions at age 70 ½. Only upon your death will your beneficiaries be subject to RMDs. Finally, beneficiaries inherit the tax free character of the account.
- Conversion of a traditional IRA to a Roth will be preferred if the projected after-tax value of the Roth exceeds the projected after-tax value of the traditional IRA, after adjusting for the loss of the future value of the funds used to pay the tax on the conversion. This comparison will be heavily influenced by the projected difference in tax rates before and after retirement, as well as the length of time until retirement.
- For most, it makes sense to take full advantage of pre-tax retirement savings vehicles, such as 401(k) plans and deductible IRAs. The contributions reduce current income, thus lowering taxes today, while the accounts grow tax deferred for future needs. While the distributions will be subject to tax, many will be in a lower tax bracket in retirement and all benefit from having delayed that taxation.
- After-tax contributions to tax-deferred accounts, such as 401(k), IRA, and 529 education savings accounts, allow investments to grow with no current taxation. In the cases of the first two, only the earnings will be taxed upon withdrawal, and then presumably at a time when the accountholder will be in a lower bracket. The education savings plan distributions are not generally subject to tax.
- Location of bonds and money market funds in qualified accounts and stocks in taxable accounts can furnish tax benefits. Based upon current tax rates, the interest produced by bonds and money markets is taxed at ordinary income rates, while the dividends and capital gains generated by stocks are taxed at more favorable rates. Furthermore, holding equity in qualified accounts means that the capital gains generated over the years will ultimately be converted into income taxed at ordinary

rates when withdrawn. By contrast, if held in taxable accounts, capital gains realized when the stocks are sold would enjoy the more favorable capital gains tax treatment.
- Location of foreign stocks and funds in taxable accounts can allow the owner to take advantage of foreign tax credits on U.S. income tax returns. Holding these assets in qualified accounts forfeits this opportunity.
- In taxable accounts, bond allocations may be best filled with tax-free municipals. The interest on municipal bonds, although generally lower than on taxable bonds, is not subject to federal income tax. In most states, there is also not state income tax on municipals issued in that state.
- Timing mutual fund trades: Mutual funds are required to distribute their gains to shareholders every year. Before you invest in a mutual fund, check into the realized gains in its portfolio. If they are a significant portion of the fund's net asset value (NAV) and the date of the next capital gains distribution is near, you may want to delay your purchase until after the record date of the distribution. Otherwise, you may "buy the dividend," which can cost you money in taxes.
- Use of exchange traded funds (ETFs) in taxable accounts: By their nature, ETFs trade like individual securities and are not required, as mutual funds are, to distribute gains to shareholders yearly. Gains are only recognized in the year in which the ETF is sold. If the amount and holding period justify the trading costs, ETFs may therefore be preferable in a taxable account. Their typically lower expense ratios are a bonus.
- If a client is projected to be subject to significant estate tax, permanent life insurance can be a tax-efficient means to transfer wealth to heirs. Specifically, the proceeds of a life insurance policy are not included in the taxable estate if the insured did not own the policy within three years of death. An irrevocable life insurance trust is often the most effective vehicle for this purpose.
- If, in a given year, it appears that income tax liability will be substantially higher than in a subsequent year, any opportunities to legitimately delay income should be explored.
- In reallocating taxable investment portfolios, the opportunity to offset capital gains in one position with losses in another should be explored.
- If over-allocated in the highly-appreciated assets, consider gifting those assets to charity or to relatives in a lower tax bracket.

Observations and Analysis

Current Tax Strategies

You are currently taking advantage of the following tax strategies:

- Use of a 401k, Roth IRAs, and traditional IRAs
- Maximum funding of the 401k
- Delay of separation and vacation pay until the subsequent year

Potential Opportunities

You have the potential to benefit from the following tax strategies:

- Use of tax-free municipal bond funds in taxable accounts
- Reduce income taxes in 2009 and 2010 by maximum funding the 401k

- Harvesting losses in mutual fund accounts to offset potential gains in sale of IBM
- In sale of IBM, recognition of long-term gains at lower capital gain tax rates than expected in the future (rates are expected to increase to 20% again in 2011)
- Conversion of at lease a portion of the traditional IRAs to Roth. If your tax bracket in retirement is within 6 percentage points of the current rate, you are projected to be better off converting and paying the tax now.

Recommendations

- Convert all or a portion of your IRA to a Roth; use other funds to pay the tax
- Maximize additions to your company retirement plan in 2009 and 2010
- Use tax-free municipal bonds for the bond allocation in taxable accounts
- Defer retirement and receipt of separation pay until next year
- Harvest tax losses in reallocating investments to offset taxable gains

Retirement Distribution Planning

General Background

Distribution Planning Process

Step 1: Determine retirement income needs

Clients on the verge of, or already in, retirement are usually very capable of identifying their after-tax basic living expenses. In addition to the core cost of living, we identify major goals, such as vehicle replacements, travel, and large gifts.

Step 2: Project the results

Based upon known sources of retirement income, the portfolio, expected returns, and life expectancy, we can project the likelihood that the client will be able to sustain a comfortable retirement.

Step 3: Test different options

If the current plan appears unsustainable, a variety of options are tested, in consultation with the client to ensure that the scenario chosen is realistic. The options generally include:

1. Lowering one or more of the goal amounts
2. Delaying retirement (if still possible)
3. Finding new sources of income (i.e. part-time work)
4. Altering the portfolio allocation
5. Opting for a lump sum rather than a pension
6. Use of different tools, such as immediate annuities

Step 4: Implement the best strategy

Once a successful plan has been formulated, the specific implementation steps are outlined.

Distribution Strategy Options

Clients nearing or in the early years of retirement must draw down their accumulated assets in an orderly and logical fashion so as not to deplete their funds too soon. Retirement distribution planning offers guidance on such an orderly withdrawal.

The objective of a distribution plan is to provide the maximum income available while balancing the risks of turbulent markets, rising prices, unexpected costs, and longevity. It goes without saying that if we knew our market returns, inflation rate, annual expenses and life expectancy with absolute certainty, calculating how much we could afford to withdraw each year would be simple. Unfortunately, reality is not so accommodating.

In general, we have two broad options on retirement day: (1) Annuitization that will guarantee a known stream of income regardless of how long we live; or, (2) Invest the money ourselves and adopt a phased withdrawal plan. Examples of annuitization include defined benefit employer pension plans, Social Security benefits, and commercially sold immediate annuities. The second strategy, which is now most common in the United States, typically involves some sort of pre-determined withdrawal rate, based on the assumptions listed above. In fact, current tax law imposes a phased withdrawal plan on our retirement account assets at age 70 ½, when required minimum distributions begin.

Annuitization in its simplest form involves a bond-like investment that guarantees a known lifetime income, which protects the retiree from outliving his or her resources. This would theoretically be of value to risk-sensitive retirees, especially if concerns about reasonable expenses and the stability of the entity making the payments were satisfied. In reality, there are fewer defined benefit pensions these days, Social Security meets only a small part of most people's needs, and very few retirees actually purchase commercial annuities[2]. This is probably due to such disadvantages as: (1) loss of control of the assets, (2) loss of the opportunity to leave a bequest, (3) sometimes high insurance company loadings, (4) families assuming the longevity risk themselves, and (5) the appearance of relatively low returns as compared to equity-based mutual funds.

Many retirees prefer to invest the assets themselves and use one of the rules of thumb, such as dividing the portfolio 60% stocks/40% bonds and adopting a spending rule of 4-5% of the balance per year. This preserves liquidity, stock market participation, potentially higher income, and the chance to leave something for heirs. However, this approach still exposes the retiree to market risk and, more importantly, the risk of the account balance hitting zero prematurely. In short, it lacks the "longevity pooling" that annuitization furnishes.

Researchers have identified several options for withdrawing retirement assets. These generally include: (1) a constant amount – think "self-annuitization" – which may be indexed for inflation, (2) a constant percentage withdrawn each year from the remaining account balances, (3) a fraction based on the maximum possible duration – such as one divided by the number of years to age 100, or (4) a dynamic expected remaining lifetime formula, such as the one used in IRS required minimum distributions.

Accordingly, for many clients, the best solution may be some mixture of the two strategies. The National Bureau of Economic Research paper on this subject explains a mathematical model for measuring the effectiveness of different blends of annuities and withdrawals from investment accounts at different levels of investor risk aversion. As you might expect, their conclusion is:

"Those with low risk aversion do not annuitize, but as [risk aversion] rises…the demand for annuities rises strongly. The retiree with [a risk aversion score of 4 on a scale of 1 to 10] invests 62.6 % of her wealth in annuities and 37.4% in the phased withdrawal plan

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[2] Credit for much of the information in this section goes to *Optimizing the Retirement Portfolio: Asset Allocation, Annuitization, and Risk Aversion,* Horneff, Maurer, Mitchell, and Dus, National Bureau of Economic Research, July, 2006.

and held in equities. In this sense, the annuity crowds out bonds and the withdrawal plan, as risk aversion rises."

The above comments on the use of guaranteed streams of payments should be viewed as guidance, not hard and fast rules. One intuitively appealing approach would be to use annuitization to cover the most basic living expenses. Depending on the client's individual situation, Social Security and or a company pension plan may take care of that need entirely. The balance of the retiree's assets could then be invested and withdrawn according to a plan for supplemental needs and ultimately, a bequest.

When faced with a decision about whether you prefer to invest the money and take measured withdrawals or to buy a guaranteed stream of payments, consider the following:

- If you would (a) rather stay in control of the principal and (b) are certain that you can maintain discipline with respect to asset allocation and withdrawals, invest the lump sum by direct trustee-to-trustee transfer in your IRA.
- If you (a) prefer the idea of a guaranteed steam of inflation adjusted payments that you can not outlive, (b) have no reason to believe you won't live to 'normal' life expectancy, and (c) are comfortable with giving up all access this these funds irrevocably, purchase a 'no-load' immediate annuity.

In any event, the question of how to plan a steady and secure stream of income in retirement clearly requires more thought and analysis than the simple application of a benchmark percentage.

Choosing a "Safe" Withdrawal Rate

Published research[3] examined the lasting power of a retirement portfolio over 30-year periods from 1926-1956 through 1975-2005. The test portfolio had a mix of 63% stocks and 37% bonds. Actual historical market returns for each year were used in testing a number of different initial withdrawal rates. The subsequent years' withdrawals were based on the initial amount, adjusted for inflation each year.

The maximum first-year withdrawal rate that allowed the portfolio to last 30 years in virtually all of the 50 time periods tested was 4.15% of the portfolio's value. If the assets are to be invested more conservatively (more bonds), the safe withdrawal rate comes down.

In developing retirement distribution plans, this maximum 'safe' withdrawal rate is used as a benchmark to compare with what the client thinks he or she wants as sustained income from the portfolio.

[3] "Sustainable Withdrawals," by William P. Bengen, CFP®, appeared in *Retirement Income Redesigned*, edited by Harold Evensky and Deena Katz and published by Bloomberg Press, New York, in 2006.

Withdrawals and Tax-Efficiency

Withdrawal of funds in the most tax-efficient manner would generally dictate the following order:

1. Taxable accounts
2. Tax-free accounts (municipals)
3. Tax-deferred accounts (commercial annuities)
4. Roth IRAs
5. Qualified accounts (employer plans and traditional IRAs)

Even though taxable accounts should be drawn down first, it is important to maintain an accessible emergency fund equal to 3 to 6 months' living expenses.

Retirement Savings Accounts

When deciding what to do with a defined contribution retirement plan, such as a 401(k), there are generally three options:

1. Roll the company plan assets over to an IRA
2. Leave them in the company plan
3. Take a lump sum distribution and pay the tax now

Considerations are as follows:

- When the money will be needed: If it is absolutely needed right away, there may be no choice but to withdraw the funds and take the tax hit.
- Whether the tax bracket in retirement will be significantly higher: It might make sense to pay the tax sooner if the result will be greater after-tax withdrawals.
- Health: If health is extremely poor, and the money is not needed, rolling it over to an IRA will provide beneficiaries with the option to stretch distributions. This is generally not the case with company plans.
- Whether there are sufficient income sources or assets in non-qualified accounts to cover expenses: If so, the IRA would be the indicated choice.

The advantages of rolling to an IRA include:

1. Heirs can keep stretch withdrawals over their life expectancies, allowing the account to continue to grow on a tax-deferred basis.
2. From an estate planning perspective, it is easier to name a non-spouse beneficiary.
3. Typically, IRAs would have more investment choices than a company plan.
4. If the guarantees of an annuity are desired, one can be used in an IRA, but not in a company plan.
5. The ability to consolidate accounts under one umbrella.
6. The ability to roll the assets back into another company plan, should there be a return to work.

Advantages of staying in a company plan are:

1. Creditor protection at the federal level.
2. The ability, in most plans, to take loans.
3. The ability to hold permanent life insurance, if desired and allowed by the plan.
4. The ability to postpone required minimum distributions past age 70 ½, if still working.
5. The ability to start withdrawals at age 55 without penalty, if still working up to that point.

It makes sense to take a lump sum distribution if:

1. The funds are needed to meet expenses now and there are no other options.
2. There is a significant amount of highly-appreciated employer stock in the account. Special tax treatment is afforded employer stock in a company plan. When 100% of the plan balance is distributed in a lump sum, the owner is taxed only on the original cost of the shares, rather than the current market value. Tax is deferred on the net unrealized appreciation until the shares are sold. At that point, the gains receive long-term capital gains treatment. Any portion of the assets that is not invested in company stock can be transferred directly to an IRA and defer taxation until distributed. However, if the employer stock is transferred to an IRA, the withdrawals will be taxed at ordinary rates. In other words, the long-term capital gains treatment of the net unrealized appreciation will be lost.

For the majority of clients without significant employer stock, the need for loans from the account, or concerns about creditor protection, the IRA rollover will be preferred.

Cash Flow Strategy

It is important to have a structure for retirement cash flow. Ideally, the cash flows will have the feel of a regular paycheck, rather than a liquidation of investment assets. Such a structure should seek to ensure that cash flows are: (1) consistently the same, (2) independent of market gyrations, (3) from a source that is visible and reliable, (4) understandable to the client, and (5) coming from "separate pockets." Most of all, it should insulate the client from a situation in which it is necessary to sell investment assets in a down market.

Once we have determined the amount needed annually to supplement other income sources, such as Social Security and pensions, and the long-term return on investments that will be needed to sustain that level of income, we recommend setting up three separate accounts:

1. A Cash Reserve Account
2. The Investment Portfolio (normally, the existing IRAs and investment accounts)
3. A local bank account (typically, the client's current bank)

<u>Local bank account</u>: The amount will be comprised of (a) regular 'working capital' (b) an emergency fund (e.g. three months expenses), one year's target income, and (c) amounts earmarked for major expenditures planned in the next twelve months. The amount above basic cash flow needs should be split about equally between savings and short-term certificates of deposit with maturities tied to when funds will be needed.

<u>Cash Reserve Account</u>: This investment account will contain enough money to cover two more years living expenses and any major expenses anticipated within the 12-36 month timeframe. This account should be invested 25% in a money market fund and 75% in a short-term bond fund.

<u>Investment Portfolio</u>: The remainder of assets in this account can now be invested in a mix that, based on historical returns, can be expected to deliver a higher rate of return. On balance, the asset allocation should match the target allocation for the client.

Once these accounts are set up, establish automatic monthly transfer 'paychecks' from the Cash Reserve Account to the bank account. The Cash Reserve Account will be refilled from the Investment Portfolio with Required Minimum Distributions and when doing quarterly or semiannual rebalancing.

The goal is to keep funds for near-term goals in an accessible, highly-liquid form to avoid sales of assets in a down market, while enjoying the stability of meeting cash needs from stable, identifiable sources. Long-term assets can then be invested for long-term growth.

The chart below depicts this cash flow strategy in a tabular format:

Liquidity Solution *Having Cash When Needed & Avoiding Having to Sell in a Down Market*				
Account	**Amount**	**Invested In**		**Refill**
Your Local Bank or Credit Union	One year' living needs + any goals due this year	50% savings	50% CDs tied to goal dates	From cash reserve account annually
Cash Reserve Account	Two years' living needs + goals due in 2 & 3 years	25% money market	75% high-quality short-term bond fund	From investment portfolio when rebalancing
Investment Portfolio	Remainder	Your targeted cash allocation*	Your targeted bond allocation*	Your targeted stock allocation*

*Allocations would be adjusted for bonds and cash held in bank and cash reserve accounts.

Observations and Analysis

Your Target Income and Date

You identified $72,000 per year as your goal for income, in addition to Social Security benefits of approximately $37,000. Our financial planning software requires that this goal be entered in terms of after-tax living expenses. We calculated that amount as roughly $90,000. In addition, you project major expenses as follows:

- Major travel, $7,000 per year through age 80
- Accelerated mortgage payoff, $45,509 per year for five years

Your retirement date is assumed to be 2010.

Your income need in excess of income sources represents approximately 2.6% of your portfolio. This could be considered your withdrawal rate.

Keffer Financial Planning

Your Income Sources

Social Security

You provided Social Security statements projecting benefits of $29,640 for Fred and $10,860 for Barbara. If retirement starts before age 67, Fred's benefit will be lower.

Pensions

Earl has a vested defined benefit pension which is projected to provide $64,692 of annual income beginning February 1, 2010. There is no cost-of-living adjustment associated with this pension. There is also an option of taking a lump sum distribution of $719,843.

The relative values of these two options depend upon life expectancy and the expected return on investments. As can be seen in the chart below, if invested extremely conservatively, the stream of payments is worth more. If invested more aggressively, the lump sum provides the greater value.

Date pension commenced	2/1/2010	2/1/2010	2/1/2010	2/1/2010	2/1/2010	2/1/2010	2/1/2010	2/1/2010	2/1/2010
Single life monthly benefit	$5,391	$5,391	$5,391	$5,391	$5,391	$5,391	$5,391	$5,391	$5,391
75% joint & survivor benefit	$4,767	$4,767	$4,767	$4,767	$4,767	$4,767	$4,767	$4,767	$4,767
Survivor benefit	$3,575	$3,575	$3,575	$3,575	$3,575	$3,575	$3,575	$3,575	$3,575
100% joint & survivor benefit	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590
Survivor benefit	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590	$4,590
Lump distribution	$719,843	$719,843	$719,843	$719,843	$719,843	$719,843	$719,843	$719,843	$719,843
Cost of living adjustments	0%	0%	0%	0%	0%	0%	0%	0%	0%
Client #1's life expectancy @50% probability	85	85	85	85	85	85	85	85	85
Age at pension commencement	66	66	66	66	66	66	66	66	66
Years payments continue	19	19	19	19	19	19	19	19	19
Client #2's life expectancy @50% probability	88	88	88	88	88	88	88	88	88
Years survivor benefits	3	3	3	3	3	3	3	3	3
Assumed stock/bond mix	100% Cash	28%/72%	38%/62%	45%/55%	55%/45%	61%/39%	72%/28%	82%/18%	91%/9%
Gross historical return on portfolio	4.84%	7.14%	7.35%	7.54%	7.67%	7.83%	8.02%	8.27%	8.47%
Advisory & investment costs	0.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Net return	4.84%	6.14%	6.35%	6.54%	6.67%	6.83%	7.02%	7.27%	7.47%
PV- single life benefit-age 66*	$805,985	$728,224	$716,713	$706,531	$699,689	$691,404	$681,757	$669,370	$659,705
PV- 75% J&S benefit-age 66**	$760,647	$680,753	$669,037	$658,698	$651,764	$643,382	$633,641	$621,165	$611,455
PV- 100% J&S benefit-age 66***	$747,795	$667,293	$655,519	$645,136	$638,176	$629,766	$619,998	$607,497	$597,774
PV-lump sum distribution-age 66	$719,843	$719,843	$719,843	$719,843	$719,843	$719,843	$719,843	$719,843	$719,843

The break even interest rate is 6.22%. At any rate of return below this, the payments provide a greater value. The assumed life expectancy for this analysis is 19 years.

Annuities

You do not currently own any 'income' annuities

Separation and Vacation Pay

Fred is projected to receive an early retirement package worth about $50,000 after tax at his retirement.

Your Retirement Savings

Company Retirement Plans

The value of Fred's 401k is about $961,000.

IRAs

Fred's IRAs are now worth approximately $282,000; his Roth contains $26,000.
Barbara's IRAs hold a total of roughly $60,000; her Roth is worth about $34,000.

Taxable Portfolio

Jointly held mutual funds total about $106,000.
Fred's IBM stock accounts are valued at $194,000.
Fred's BP stock is worth approximately $33,000.

The IBM stock has been earmarked for paying off the mortgage within the first five years of retirement. It may be beneficial to dispose of the individual stocks immediately to gain diversification and to take advantage of current long-term capital gain tax rates.

In the aggregate, the amount in the taxable accounts is a close fit with the amounts recommended for a local bank account and a Cash Reserve Account.

Other

Fred has a variable annuity with just over $3,000 in it. This could be rolled over into his consolidated IRA.

Cash Flow Strategy

Applying the Cash Flow strategy discussed on page 24 to your situation, your accounts might be arranged as follows:

Retirement Goal Chart				
Major Spending from My Portfolio				
Goal - To Be Paid From Portfolio	**Amount**	**When**	**Recurs Every**	**Until**
Emergency Fund	$ 36,000	2009	0 Year	N/A
Vacation	$ 7,000	2010	1 Year	2023
Living Expenses Beyond Income Sources*	$ 72,000	2009	1 Year	Indefinite
Mortgage payoff	$ 45,000	2010	1 Year	2014

*Client's stated need: $6,000/month, gross, beyond Social Security

Liquidity Solution				
Having Cash When Needed & Avoiding Having to Sell in a Down Market				
Account	**Amount**	**Invested In**		**Refill**
Bank	One year' living needs + any goals due this year	50% savings	50% CDs tied to goal dates	From cash reserve account annually
	$ 160,000	$ 80,000	$ 80,000	Auto-Transfer $6,000/mo. from CRA
Cash Reserve Account	Two years' living needs + goals due in 2 & 3 years	25% money market	75% high-quality short-term bond fund	From Required Minimum Distributions
	$ 189,000	$ 47,250	$ 141,750	Auto-Transfer RMD from IRA; rest @rebalance**
Investment Accounts	Remainder	Your targeted cash allocation (4%)*	Your targeted bond allocation (35%)*	Your targeted stock allocation (61%)*
	$ 2,069,755	$ 82,790	$ 724,414	$ 1,262,551
Total	$ 2,418,755			

*Target for longer-term investments. Overall target: 55% stock, 39% bond, 6% cash

Recommendations

- ☐ If comfortable with the assumptions in this analysis, choose the lump sum payment
- ☐ Monitor income and expenses to make sure you are in the ranges used in the Plan
- ☐ Establish an account structure as described above
- ☐ Draw funds from your taxable account first

Insurance and Risk Management

General Background

Identification of Risks

Overview: The most solid of financial plans can potentially be ruined by an unforeseen peril, an event that causes a financial loss. Risk is defined as a condition where there is a possibility of an adverse deviation from an expected desired outcome.

For most, risks can be categorized as follows: (1) loss of income due to premature death, disability, or unemployment, (2) major unforeseen medical expense, (3) costly damage to property, be it a home, auto, or other personal property, (4) liability for injury to others or damage to others' property, (5) costly extended long term care, or (6) outliving income and accumulated assets.

Risk Mitigation Techniques

Risk can managed in one or a combination of the following ways

1. Avoidance, by not engaging in an action that creates the risk (e.g. flying)
2. Retaining, by simply deciding to accept the risk
3. Transfer, usually through an insurance contract
4. Sharing (e.g. health insurance with deductible and coinsurance)
5. Reduction, through loss prevention methods that would reduce the severity

Insurance: Major Types

Major types of insurance generally align with the risks outlined above. Life insurance can replace income lost due to premature death. Disability insurance replaces income in the event of a disabling injury or sickness. Catastrophic medical expenses can be covered by medical insurance. Homeowners insurance provides both property coverage and liability protection. Automobile insurance does the same, within the context of vehicles. Personal umbrella liability insurance adds an important layer of additional liability protection, beyond that afforded by underlying homeowners and auto insurance. Long term care seeks to mitigate the risk of an extended need for care, usually later in life. Finally, income annuities can insure against outliving ones income and assets.

Life

Generally, there are two types of life insurance – term and permanent -- with many sub-categories under each. Term insurance provides pure protection for a limited number of years. It is intended to cover needs that are temporary, such as replacement of income during children's dependency, the term of a mortgage, or to cover college tuition. Permanent insurance lasts for the insured's whole life. It is intended to cover 'permanent' needs, such as final expenses and potential estate tax liability.

Term insurance is generally the less expensive. Permanent insurance by its nature will cost more, but builds cash value and can ultimately transfer assets to heirs in the most tax efficient manner.

The need for life insurance is generally calculated as (1) the present value of future income needs of dependents not covered by other sources plus (2) the sum of all outstanding debts plus (3) the cost of higher education for children plus (4) an emergency fund for survivors plus (5) final burial, medical, estate settlement, and tax expenses, minus (6) any other resources that might be available to cover these needs. This is a calculation that should be done with a realistic assumption about a surviving spouse's earning potential and the availability of Social Security and any other benefits.

Appropriate Type: Only after the need has been calculated with all available data should the type of coverage be selected. Term is often appropriate for the first four items and permanent insurance for item number 5. The type of term should generally be a guaranteed level premium for the number of years indicated. For example, parents of a new-born will want 25-year policies.

Respecting the permanent coverage, whole life, universal life, and variable universal life are generally the options. Whole life should be selected if the client desires guaranteed premiums, cash value and death benefits. Universal life will generally require lower premiums, but exposes the client to the risk that if the insurance company's investment earnings or claims experience is worse than expected, more premiums may be needed. Variable universal life is indicated for clients willing to take more risk for the opportunity for faster growth in the policy, which can be invested in mutual fund-like accounts. Of course, this means the client bears market risk, which can result in loss and the need for significantly higher premiums.

Policy Features: Policies will ideally include waiver of premium in the event of the insured's disability and, in the case of term, guaranteed convertibility to permanent insurance at the client's option.

Disability

One of the most important, but often overlooked perils, disability is far more likely to occur than death at most ages during the working years. Generally, the insurance replaces a portion of the insured's income in the event of total disability. Sometimes referred to as long-term disability, or LTD, coverage, this protection is offered by many employers. Individual disability policies generally cost more. However, an individual policy can be crucial as the sole source of coverage or even as a supplement to a group LTD plan.

Coverage is generally available for up to 65% of gross monthly income, with benefits lasting anywhere from a few months to age 65. Most clients will be well advised to take as much coverage as an employer can provide and then supplement with individual coverage up to the maximum that the insurance company is willing to issue. The insurers will not allow you to 'over insure.'

Policy Features: It is best to take as much protection as is available. Seek a benefit period to age 65, with automatic cost-of-living increases and a guarantee that the policy will be renewable and non-cancellable. Ideally, the premium will be waived if a claim is submitted. If there is a concern about the amount of the premiums, choose a longer waiting period, rather than a reduction in the benefit amount or period.

A final note: if premiums are paid for the employee by the employer, the benefits will be subject to income tax. If the employee pays the premium, benefits should not be taxed.

Health (Medical)

Medical Insurance: A detailed analysis of the many different types of medical insurance that may be available to you is beyond the scope of this plan. Suffice to say that it is obvious that everyone needs insurance against at least catastrophic doctors' and hospital bills. Your choice of an HMO, PPO, high-deductible plan, or whatever else is available is a function of personal preference and affordability. Under any circumstances, it is important to have the largest lifetime maximum limits that you can get.

Long Term Care

Long-Term Care: The need for long term care (LTC) typically arises from a prolonged illness or cognitive impairment that leaves the patient unable to perform one of the basic "activities of daily living" (ADLs). These include bathing, continence, dressing, eating, toileting, and transferring. LTC differs from traditional medical care in that the LTC helps the patient lives as he or she is now, rather than trying to necessarily improve or correct the problem. LTC may be either skilled (provided by a medical professional) or custodial (furnished by a trained technician). It may be received at home, in a full-blown nursing home, or at a facility that bridges the gap between the two.

Quantifying LTC Risk: A 2007 MetLife survey found the average cost of a year in a nursing home in the Chicago suburbs to be over $93,000. Of those reaching age 65, 44% are expected to enter a nursing home and 53% of those who enter are projected to stay for over a year. The average age at entry is 80 and the average stay is 2 ½ years. This computes to a $240,000 drain on a portfolio, which could imperil the financial security of a surviving spouse. This is particularly the case if the LTC need arises earlier and lasts longer than the averages.

Paying for LTC: Options are LTC insurance, the client's portfolio, and Medicaid. This last option is only available to those who have spent down almost all assets. The cost of a $200 daily benefit, which would cover most but not all of the cost, would be about $3,600 per year for a healthy 65-year old.

Decision Parameters: If the overall portfolio is large enough to produce $93,000 plus the spouse's living expense needs based upon a conservative sustainable return, then no LTC insurance would appear to be needed. Assuming, for example, a surviving spouse's living expenses are $87,000, a portfolio large enough to support a lengthy stay in an LTC facility plus another 20+ years of spousal living costs would be deemed adequate. In this example, that number is about $1.9MM.

Policy Features: Following are guidelines for choosing a policy.

- Comprehensive care
- Tax-qualified
- Benefit large enough to cover the difference between the expected need and the amount your portfolio can absorb
- Length of benefit period of 5 or more years
- Compound inflation rider
- Elimination period as long as your portfolio can absorb

Property and Liability

A detailed analysis of auto, homeowners, and umbrella liability insurance is beyond the scope of this plan. Do be aware that potential liability exposure is much greater than many clients realize. Clients are urged to consult with their property and liability insurance agent at least once a year to review the adequacy of these policies, particularly with respect to the liability limits. An umbrella policy of at least $1MM and perhaps $5MM or more is a major over-looked risk mitigation tool.

Insurance Company Selection

In all times, but especially in these uncertain economic times, it is important to do what you can to protect yourself against the rare but important risk of your insurance company's being unable to honor claims. Once you have identified policies that meet your needs, some due diligence on the insurer is important.

The following criteria are useful "screens" to at least minimizing the risk:

1. Company has an A.M. Best rating of A, A+, or A++
2. Company is experienced in the kind of coverage you seek, ranking in the top 20%
3. Company offers reliable, convenient service, either through an experienced local agent or an established, well-run call center

Observations and Analysis

Life insurance

You currently have $150,000 of coverage on Fred and $25,000 on Barbara. Our needs analysis points to no additional life insurance need for either of you for the traditional purposes of replacing income, educating children or repaying debt. However, you are projected to have an estate tax liability of close to $2,000,000 at the second death. This is sometimes thought to be indicative of the need for permanent life insurance.

Long-term care insurance

You do not currently have long-term care coverage. You are in the age bracket where it is generally advisable to address this potential risk. Currently, full nursing home care costs between $90,000 and $100,000 per year. This could be devastating to your portfolio and to the retirement security of your loved ones and you.

Umbrella liability insurance

You do not currently have umbrella liability insurance. Although your auto and homeowners policies provide a base layer of protection, you could potentially exposed to a settlement much larger than the limits of those policies.

Recommendations

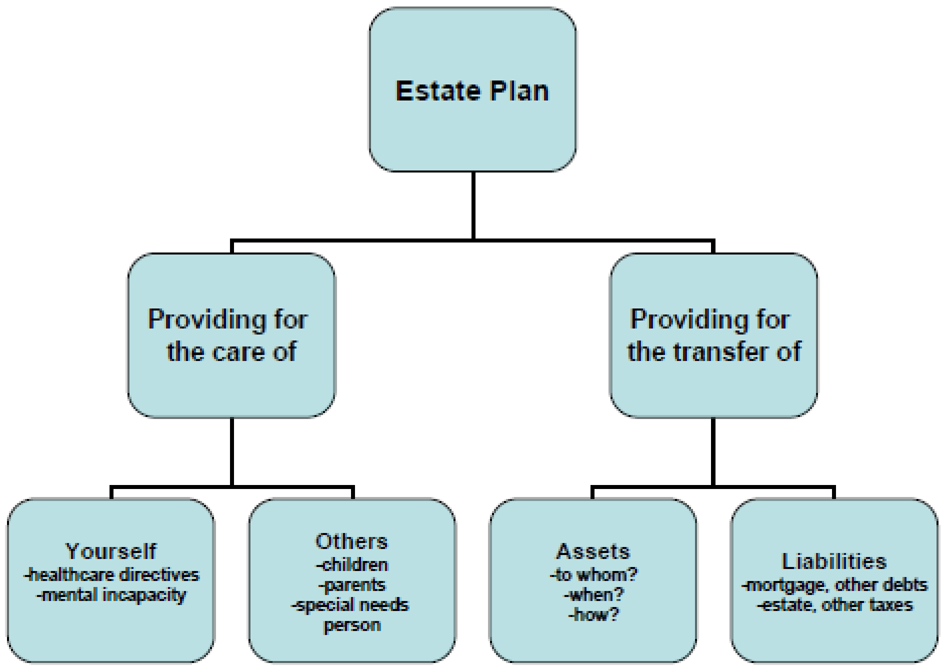
- Purchase long-term care insurance policies
- Discuss umbrella liability coverage with your insurance agent
- Consider a survivorship life insurance policy to offset projected estate tax

Estate Planning

General Background

Estate Planning Process

Estate planning is a proactive process designed to help you accumulate, manage and conserve assets while you are alive, and to control the disposition and transfer or your assets (effectively and efficiently) after your death. It includes legal, tax and personal objectives.



Based upon template from Gigi Turbow Marx, GPN

Estate Planning Objectives

A well-crafted estate plan

1. minimizes the costs of taxes, documents, and probate,
2. clearly communicates intentions regarding healthcare decisions,
3. ensures property reaches the intended recipients,
4. arranges for efficient business succession,
5. decreases family stress and potential strife,
6. safeguards dependent children,
7. increases privacy as to your assets and beneficiaries, and
8. expedites the transfer of assets to your heirs at your passing.

Estate Planning Documents

Estate planning documents should be prepared by an attorney who specializes in this field. Based on your needs, they may include:

- Will: A will (or Last Will and Testament) serves to transfer property you hold in your name to the person(s) and/or organization(s) you choose. It also names your Personal Representative (your "Executor") to carry out your instructions and names a Guardian if you have minor children. A will only becomes effective after your death and only after being admitted to probate.[4]

- Durable Power of Attorney for Health Care: Sometimes called a Health Care Proxy, this document appoints a person you designate to make decisions regarding your health care treatment in the event that you are unable to provide "informed consent."

- Living Will: Also called a "Directive to Physicians," your living will gives doctors and hospitals your instructions regarding the nature and extent of the care to be provided should you suffer permanent incapacity, such as an irreversible coma.

- Durable Power of Attorney for Property: This gives the person you name the power to act for you and handle financial matters should you be unable or unavailable to do so yourself.

- Living Trust: A living trust can be used to hold title to and manage your property. You select the trustee (even yourself) to carry out your instructions, as spelled out in the trust document. You can also name successor trustees to take over if you cannot. A living trust differs from a will in that it becomes effective immediately, continues during your lifetime (even if you are incapacitated) and continues after death. Most living trusts are revocable, meaning that you can change or terminate it. If the trust is irrevocable, it has the potential to offer some tax benefits, but is very difficult, if not impossible, to change. The primary benefits of a trust are in mitigating the expenses, delays, and publicity of probate.

- By-Pass Trust: All estates receive a federal estate tax exemption of $3.5 million[5] in 2009. Individuals and married couples with a total estate value less than the current exemption level don't have to worry about Federal Estate or Gift Tax.

  For those who are married, there is an unlimited marital deduction. All estate taxes can be avoided upon the death of the first spouse. However, the full amount of the

[4] Probate is the process that transfers legal title of property from your estate to your beneficiaries. The term "probate" refers to a "proving" of the existence of a valid will or determining and "proving" who your legal heirs are if there is no Will. Probate is the process used to determine who gets your property.

[5] Unless previously used up as a result of gifts of more than $11,000 to any one person in any year (or $12,000 to any person in any year starting in 2006). In 2010, the estate tax disappears entirely, but then reappears in 2011, when the exemption drops back to $1 million.

estate, including amounts inherited from the first spouse, is subject to estate tax at the second death.

By using a by-pass Trust, the first spouse's exemption is used at the first death. Instead of going to the spouse, an amount equal to the exemption is held in a trust for ultimate inheritance by your children, but with income and principal available to provide for the surviving spouse during his/her lifetime. The remaining amount in the trust will not be subject to estate tax at the second death. (Note: Some states also have state estate or inheritance taxes.)

- HIPAA release form: HIPAA, which stands for the Health Insurance Portability and Accountability Act of 1996, is a set of rules to be followed by doctors, hospitals and other health care providers. HIPAA helps ensure that all medical records, medical billing, and patient accounts meet certain consistent standards with regard to documentation, handling and privacy. In addition, HIPAA requires that all patients be able access their own medical records, correct errors or omissions, and be informed how personal information is shared used. A HIPAA release form gives your care providers the ability to share your information with other care providers you designate.

- Family Limited Partnership: A "Family Limited Partnership" can be used to own and manage your property, in a similar manner to a Trust, but allowing for additional tax planning. These are typically used for those who have large estates and thus have a need for specialized estate planning in order to minimize federal and state estate taxes, as well as provide elements of asset protection.

Estate Taxes

Role of Life Insurance

If a substantial estate tax liability is projected and the only available funds to pay that tax are in inherited retirement accounts, the combined impact of estate and income taxes can be substantial. Buying life insurance to offset the tax burden on beneficiaries can be a cost effective planning strategy.[6] This arises from the fact that properly-owned life insurance death benefits are not subject to estate tax.

The recommended amount of coverage is 50% of the projected value of the estate at normal life expectancy. Proper ownership means that the policy should be owned either by the beneficiaries or by an irrevocable life insurance trust ("ILIT").

Some form of permanent life insurance is needed. Depending on the client's risk tolerance, overall asset allocation, and budget for premiums, this could mean whole life,

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[6] Information on the use of life insurance for estate planning is drawn largely from the *Retirement Savings Time Bomb*, Ed Slott, CPA, Penguin Putnam, Inc., New York, NY, 2003, pages 146-162.

universal life, or variable universal life. Whole life generally provides guaranteed stability of premiums, death benefit, and cash value. In return, whole life usually costs the most per $1,000 of coverage. Universal life allows for some flexibility in premiums, death benefits and cash value, depending on the investment results of the insurance company's general account. Variable universal life allows you to use the equivalent of mutual funds within the policy to invest the cash value. Accordingly, the account has the potential to grow more than in the other two policies, but with that comes the potential for losses.

A third alternative available to couples is a second-to-die policy, which only pays a benefit upon the death of the second spouse. As long as there is sufficient cash flow to keep the policy going after the first death, a second-to-die policy could be a good choice. It also works better if either spouse is in poor health, as the qualification for coverage is based on two lives.

Gifting Assets

Transferring assets during life meets the objectives of ensuring the donor's intentions are met, while reducing the size of the taxable estate. Currently, up to $13,000 per year can be gifted to any number of donees with no federal or Illinois state gift tax implications.

Stretching Distributions

Your estate plan should maximize the amount of after-tax wealth your heirs ultimately receive, while preserving for them the flexibility to stretch withdrawals over their lifetimes. If your heirs do not need the distributions from their inherited accounts, they will want to keep that money growing tax-deferred (or tax-free if in a Roth) for as long as legally possible. This requires action on your part, while living. It can not be done by your beneficiaries after your death. Following are strategies to consider[7]:

- Roll over company plans to an IRA. Generally, inherited company retirement plans can not be stretched by beneficiaries. Often, they require that beneficiaries cash out within five years. This could create substantial income tax liability for them. If your spouse is the beneficiary, she or he would be able to roll the distribution into her or his own IRA. Other beneficiaries generally would not.
- Make sure the IRA account has a designated beneficiary. This will generally allow that person to take distributions over his presumably longer life expectancy. Furthermore, if he designates his own beneficiary, that person will be able to stretch whatever is left in the account upon your beneficiary's death.
- Name contingent beneficiaries in addition to the primary beneficiary. With these designations in place, the primary beneficiary could disclaim the inheritance, sending to a much younger contingent beneficiary. The contingent beneficiary could then stretch distributions over her presumably much longer life expectancy.
- If there are multiple beneficiaries, stipulate who gets what in percentages or by such language as "equal shares."

[7] Drawn from *Retirement Savings Time Bomb*, Ed Slott, CPA, Penguin Putnam, New York, NY, 2003, pages 163-202.

- If there is a significant disparity in the ages of IRA beneficiaries, consider splitting the IRA into separate accounts for each. Otherwise, the general rule is that the beneficiary with the shortest life expectancy will be used for determining distributions.
- Make sure copies of your beneficiary designations are in the hands of your financial advisors, the IRA custodian, and your estate planning attorney.

Estate Planning Attorney

Keffer Financial Planning does not give legal advice and none of the recommendations herein should be acted upon before consulting with an attorney who specializes in Estate Planning.

Observations and Analysis

Current Estate Plan

You indicated that you do currently have wills, but are lacking living wills, living trusts, healthcare powers of attorney, durable powers of attorney, HIPAA release forms, or a by-pass trust.

You do not currently own permanent life insurance. Your projected estate tax liability and other expenses at normal life expectancy is just under $2,000,000.

You did not indicate whether all of your beneficiary designations are current.

Potential Negative Outcomes

Absent basic estate planning documents, your property may not be disposed of as you might wish, your healthcare desires may not be fulfilled, and your heirs may inherit significantly less than you expected after taxes.

Recommendations

Estate Planning Documents

- Consult with one of the Estate Planning attorneys whose names are provided in the appendix (or any other that you have determined as suitable) to determine which if any of the documents described above should be drafted for you.

Estate Tax Mitigation

- Consult with the attorney on an irrevocable life insurance trust
- Have the trust purchase a $2,000,000 second-to-die life insurance policy

Beneficiary Designations

- Roll over your old 401(k) into an IRS
- Specifically designate primary and secondary beneficiaries
- Specify percentages for each multiple beneficiary
- Make copies of beneficiary designation forms for your attorney and your files

Investment Planning

General Background

Achieving Investment Goals

Wall Street investment firms and TV financial gurus seem obsessed with the direction of the markets and the latest hedge fund, ETF or commodities play. For most regular investors just hoping to get their kids through college and themselves through a secure retirement, these are not really particularly helpful discussions.

Success for any investment portfolio is most appropriately defined by its ability to help achieve life objectives. There are numerous factors that play into this challenge. Some are controllable; others are not. The current direction of the market is unpredictable and decidedly beyond our control. It therefore deserves little attention.

It may seem obvious, but the most important factor in an investment portfolio's successfully achieving the investor's goals is putting enough money into it on a consistent long-term basis. Following closely after that are asset allocation, asset location, choice of investment vehicle, management style, and costs. Bringing up the rear is the choice of a particular investment.

The following sections will discuss each of these important factors in priority order.

Recurring Additions

Regular additions to assets, year in and year out, through up and down markets, with disciplined focus on a well-thought out asset allocation is crucial. An old rule of thumb is that everyone should save at least 10% of income. In fact, the correct amount varies with each investor's goals, stage in life, and discretionary income.

Our approach to this vitally important financial planning topic is to start with what the client has been saving, as a percentage of income. We then project whether this will be adequate to achieve all stated goals within target timeframes. If the result is successful with an adequate safety margin, there is obviously not much need for change. For many, however, there may be success in achieving some goals but not others. In some cases, there are risk management (insurance) needs and debt that need to be taken care of before saving at "full speed" can begin.

Asset Allocation

Asset allocation is the process of portioning investments into different asset classes such as stocks, bonds, and cash. Stock asset classes are broken down further by company size, character (growth and value), and geography. Bonds are further categorized by term and quality.

A great deal of attention is paid to particular stocks and mutual funds that have experienced recent success. However, studies have shown that asset allocation is the single most important factor in determining returns from investing, accounting for over 90% of a portfolio's return. All other factors combined, such as the stock or mutual fund selection, and market-timing, explain less than 10% of a portfolio's historic return.

Taxable and Retirement Accounts

Once a suggested asset allocation has been identified, the next step is to consider asset location. Asset "location" -- meaning the types of accounts in which different assets are held – can be as important as the allocation.[8] In general, it is preferable to hold fixed income in qualified accounts and equities in taxable accounts. This arises from the fact that interest paid by bonds and money market funds is currently taxed at ordinary income tax rates. Dividends and long-term capital gains generated by stocks are currently taxed at more favorable rates.

At the same time, it may not be practical to hold all or most of one's fixed income in qualified accounts. Money that will be needed in the near term to pay for major goals should be kept in less volatile investments – such as bonds and cash – in a taxable account. In these cases, municipal bonds or funds can be used in the taxable accounts. In-state municipals are free from both federal and state income tax.

In the same vein, foreign assets may generate foreign tax credits, which generally can not be used if held in qualified accounts. It is preferable to hold asset classes which are expected to grow the most in the long run in a Roth account, whose earnings are theoretically never subject to income tax.

Similar decisions may revolve around the questions of Roth versus traditional IRAs, the conversion of traditional IRAs to Roth IRAs, and rolling over company retirement accounts into IRAs.

In general, if an investor qualifies for Roth IRA or 401(k) contributions, the Roth opportunity should be seized. Similarly, if company plans can be rolled over into IRAs, there are many compelling arguments for doing this. See the Tax Planning section of this report for more detail.

Choosing Investment Vehicles

Having identified a preferred mix of asset classes and having located those assets in tax-logical accounts, the next step is to decide upon the optimal investment vehicles. Generally, this means choosing among individual securities (stocks and bonds), managed accounts (individual securities managed by a professional money manager), mutual or exchange traded funds, and insurance products that contain investments (variable annuities and life).

In broad terms, individual securities offer the advantages of: (1) no ongoing expense ratios, (2) control over timing of recognition of gains and losses, (3) transparency, and (4)

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[8] Information in this paragraph was drawn largely from *The Only Guide to a Winning Investment Strategy You'll Ever Need,* Larry Swedroe, St. Martin's Press, New York, NY, 2005

purity of style. Disadvantages include (1) trading costs, (2) lack of diversification[9], and (3) lack of ongoing management, unless the investor is prepared to spend significant time on the portfolio or money to hire a manager.

Insurance "wrapped" investments, such as variable annuities and variable life boast: (1) tax deferred growth, (2) broadly-diversified fund choices, and (3) guarantees, such as death benefits at least equal to the amount invested and lifetime withdrawals pegged to the 'high water mark' of the portfolio. Criticisms of insurance-based investments include: (1) fees and expenses that can be substantial, (2) lack of access to account values without penalties, and (3) up-front commissions. These costs can represent a substantial handicap to the portfolio's long-term performance. If the need for the guarantees is compelling, variable annuities or life should be considered. Otherwise, if one does not need or want insurance, it makes little sense to pay premiums in the form of fees.

Mutual funds offer: (1) diversification, (2) professional management, (3) liquidity, and (4) convenience. Although they bear ongoing management expenses, and lack the guarantees of insurance and the transparency of individual holdings, the aforementioned advantages make them the vehicle of choice for most clients.

Within the mutual fund world, the two major categories are traditional mutual funds and exchange traded funds (ETFs). Most mutual funds can be acquired on a no-load (without commission) basis. They typically own dozens, if not hundreds, of different stocks and or bonds. They are required to pass dividends, interest and capital gains on to the share holders. This means that fund holders can receive taxable income, even in years when the value of the shares may actually be down. This recognition of taxable income is not a problem, however, when mutual funds are held in qualified accounts.

ETFs generally attempt to mimic (index) a particular market segment, like the S&P 500. They trade like stocks, so there is a commission[10] to buy and sell ETF shares. However, this also means that holders do not recognize income until the ETF is sold. The fact that investors incur some commission expense in buying ETFs is often offset quickly by their extremely low expense ratios.

Investment Management Style

The final important consideration in selecting investment vehicles is choosing between active and passive management strategies. Actively managed funds buy and sell positions hoping to outperform the market. Buy and sell decisions are usually made on the basis of the manager's opinion of a company's prospects, driven perhaps by a new innovation which promises above average earnings or a belief that the market has under-valued a company's shares due to something that happened in the company or its industry. Sometimes, the decisions are based on market timing. For example, a manager may believe we are headed into a recession and therefore favor stocks of consumer staples, which have traditionally held up well in recessions.

[9] Unless the allocation to each asset subclass is adequate to support owning at least 20-30 separate positions
[10] For example, to buy $100,000 of Vanguard's Total Stock Market ETF would cost $25. The same investment in the total international ETF would cost $43.85.

Active management comes with a cost. First, by virtue of having a management team and all the necessary research and tracking for them to do their job, actively managed funds carry higher fees than their passive cousins. Second, active management typically leads to more trading, which creates higher trading costs. These costs are thought to average over .7% for funds as a whole. Finally, with more buying and selling come more capital gains distributions and higher tax bills.

Passively managed funds purchase a given set of securities and hold them for the long haul. While many passive funds make their initial purchase decisions based on the manager's opinions of the companies' prospects, in their purest form, others try only to replicate – or 'index' -- an entire market or market segment by owning shares of every company in that market. An example would be the Vanguard's S&P 500 Index Fund. The underlying theory is that markets are efficient, the results are random, and can not be predicted by an active manager. Indexing's proponents point to the simple fact that 50% of active managers are below average in all time periods, suggesting that the cost of active management represents nothing but a drag on investors' results. The chart reproduced below offers an illustration of the perils of attempting to pick the active managers that will be in the top half based on recent results:

The top ten general U.S. stock funds in 1996 didn't do so well in later years. Their rankings in other years are shown below.

Top 10 Funds in 1996 & Subsequent Performance	1996	1997	2000	2006
Number of funds considered	**1,285**	**1,634**	**2,964**	**6,752**
Fund (investment focus)	**Rankings**			
Fund A (mid-cap growth stocks)	1	783	1,663	4,384
Fund B (small-cap growth stocks)	2	1,493	810	5,393
Fund C (small-cap core stocks)	3	21	44	3,259
Fund D (small-cap growth stocks)	4	842	2,529	5,272
Fund E (small-cap growth stocks)	5	1,107	2,749	2,300
Fund F (small-cap growth stocks)	6	1,584	2,293	3,449
Fund G (large-cap core stocks)	7	1,287	1,741	2,907
Fund H (small-cap value stocks)	8	1,585	705	6,560
Fund I (multi-cap growth stocks)	9	1,194	2,933	5,093
Fund J (small-cap core stocks)	10	1,366	89	3,766

Rankings of funds at year-end are based on their total returns for that year. Rankings include Class A shares only, where applicable. Source: Lipper Inc.

There are, of course, hybrid situations, such as funds that use stock pickers to choose the companies they wish to own, but then take a hands off passive approach, keeping costs down. And, within the worlds of indexing and ETFs, there are innovative new ways of structuring the index (rather than purely basing it on market capitalization) that represent an effort to inject a little more human intelligence in the hope of giving investors an advantage.

Generally, we favor indexing, using the lowest cost versions of quality exchange traded funds or index mutual funds for most core asset categories. Because ETF purchases incur commission charges, we suggest index funds for accounts that will be receiving regular monthly additions. Then, if the expense ratio in the ETF is enough lower, we suggest swapping the index fund for the equivalent ETF every year or two.

When an active management approach seems appropriate, we recommend funds from a carefully screened research process, still insisting on cost conscious expense ratios and long-term management consistency.

Deciding Where to Invest

For many clients, the largest holding is in an employer retirement savings plan, which is exactly where it belongs. However, if there are accounts outside of 401(k) or 403(b) programs, there can be considerable benefit in consolidating things in one low-cost firm, such as Vanguard, Ameritrade, Scott Trade or Charles Schwab.

Consolidating in this way can impose an initial paperwork burden, with numerous forms and notary requirements. However, benefits of consolidation may be significant:

- One set of consolidated statements
- One customer service group and one Website for information
- Fewer accounts and individual holdings to keep track of
- Access to low-cost, no-load mutual funds and discounted commissions on ETF purchases
- Ease in shifting assets from one account to another

In deciding which firm to use, considerations include (1) where the client may already be established and comfortable, (2) costs of trading and account maintenance, (3) customer service, quality and availability, and (4) for some clients, access to a local office.

If a client already has a discount brokerage account, it is generally preferable to consolidate things there. When focused on a core passive indexing approach, Vanguard index funds and ETFs are often among the recommendations. This stems from their broad range of funds (e.g., it is hard to find good bond ETFs and indexes in many other families) and competitive costs. As a result, Vanguard is often the suggested investment firm. However, Keffer Financial Planning has no contractual relationship with Vanguard or any other third party.

Choosing Specific Investments

Once the investment allocation, location, vehicle, and strategy questions have been addressed, it is important to compare the current portfolio to the target portfolio. Current holdings and potential alternatives are evaluated using the following process:

1. Evaluate appropriateness for the holding's purpose in the overall asset allocation. If a fund is supposed to be a large cap growth fund and our research reveals that 35% of its holdings are international and small cap, it is not serving its purpose. Likewise, if a bond fund is found to have 40% of its holdings in 'high yield' or 'junk' bonds, it is not serving its purpose of providing stability and dependable income. Finally, if a large portion of an allocation is being filled by one or two individual stocks, the necessary diversification is not being provided.
2. Evaluate the fund on the basis of (a) discipline in adhering to stated investment objectives, (b) expenses, and (c) the longevity of management.

   To highlight the importance of expense management, consider the chart below.

Impact of Expense Ratios & Trading Costs	Portfolio 1	Portfolio 2
Starting balance	$50,000	$50,000
Annual contributions	$ 15,500	$ 15,500
Years to retirement	20	20
Stock/Bond mix	72%/28%	72%/28%
Historical return 1	10.23%	10.23%
Fund expense ratio 2	0.98%	0.23%
Trading costs 3	0.78%	0.78%
Expected net return	8.47%	9.22%
Future value	$1,001,532	$1,104,829
	Difference	$103,297

1 Historical market returns for a portfolio comprised of 4% cash, 9% short term bonds, 15% intermediate term bonds, 20% large value stocks, 17% large growth stocks, 11% small cap stocks, 20% developed international stocks, and 4% emerging markets stocks from 1970 through last year. Historical returns are based on appropriate indexes, such as the S&P 500, for each asset class. Details available upon request. Source: *Money Guide Pro,* P.I.E. Technologies.

2 Portfolio 1 based on American Funds R-3 shares average fund expense ratio per www.americanfunds.com as of 4/3/08. R-3 shares recommended for plans less than $5MM ; Portfolio 2 based on Vanguard index funds per www.vanguard.com. Not intended to illustrate merits of Vanguard versus American Funds, but rather to show impact of advisor costs if paid from plan expense ratios.

3 *Mutual Fund Trading Costs,* Roger Edelin, The Wharton School, University of Pennsylvania, 1999.

3. Check the fund's risk level or volatility. Measured by standard deviation, we look at how this particular investment has gone up and down, compared with its peers and the market segment it represents.
4. Screen for performance. While we do not chase recent hot performers, it is important to note if an investment has been significantly and or consistently below its benchmark index.
5. Check the fund firm's policies with respect to redemption fees, tracking cost basis, limiting active trading, and customer service, including a consumer-friendly web site.

Rebalancing the Portfolio

In order to maintain a strategic asset allocation over time, it is necessary to periodically rebalance the portfolio. This can sometimes be counterintuitive, as it may be necessary to sell off recent "winners" and buy some of the recent "losers".

Rebalancing should be done whenever a given asset class has changed by either:

1. 5 percentage points relative to it's original allocation or
2. 25% of its value relative to its target value

Weathering Storms

No one likes to see their investments to go down in value, but short run negative returns are inevitable when investing. Experiencing "down years" is normal and to be expected. During these down turns it is important to "stick to your game plan" and not make the mistake of being focused on short term performance.

Observations and Analysis

Current Asset Allocation

Asset Class	Rate of Return	Current Value	% of Total Assets
Cash Equivalent	4.84%	$273,962	16%
Short Term Bonds	6.37%	$0	0%
Intermediate Term Bonds	7.32%	$566,578	33%
Long Term Bonds	7.93%	$0	0%
Large Cap Value Stocks	7.96%	$244,837	14%
Large Cap Growth Stocks	7.70%	$253,496	15%
Mid Cap Stocks	9.20%	$9,370	1%
Small Cap Stocks	10.73%	$61,357	4%
International Developed Stocks	8.80%	$289,312	17%
International Emerging Stocks	8.38%	$0	0%
Unclassified**	0.00%	$0	0%
Total :		**$1,698,912**	**100%**

Current Asset Location

Asset Class	Qualified	Tax-Deferred	Taxable	Tax-Free	Roth IRA	Coverdell (CESA)	529 Plan
Cash Equivalent	$268,894		$5,068				
Short Term Bonds							
Intermediate Term Bonds	$473,508	$1,289	$52,354		$39,427		
Long Term Bonds							
Large Cap Value Stocks	$100,362	$967	$133,213		$10,296		
Large Cap Growth Stocks	$100,362	$967	$141,872		$10,296		
Mid Cap Stocks	$9,370						
Small Cap Stocks	$61,357						
International Developed Stocks	$289,312						
International Emerging Stocks							
Unclassified							
Total :	**$1,303,164**	**$3,222**	**$332,507**		**$60,019**		

Current Portfolio Commentary

Asset Location

Your current portfolio is comprised of 25 positions held in 20 accounts at 8 different financial firms. There are 6 IRAs in Fred's name which could be consolidated for simplicity and ease of management. Furthermore, the lump sum pension benefit, your 401k and the Jackson National variable annuity could also be rolled over into the same consolidated IRA. In the same vein, Barbara's 3 IRAs could be combined in one.

There are four jointly owned mutual funds which could be brought together, along with the IBM and BP stock holdings, into one joint account. The chart below illustrates how such a consolidation might be accomplished:

CURRENT

Existing Account	Type	Balance		Fred's Consolidated IRA	Fred's Roth IRA	Bank	Cash Reserve Account	Barbara's IRAs	Barbara's Roth
Fred's IRAs	Ret	$ 281,782	→	$ 1,965,846					
Fred's 401k	Ret	$ 960,999	→						
Fred's LS Pensio	Ret	$ 719,843	→						
Fred's JNL Annui	VA	$ 3,222	→						
Fred's Roth IRA	Roth	$ 25,699	→		$ 25,699				
Jt Vanguard Acct	Txble	$ 52,589	→						
Jt Dodge&Cox	Txble	$ 12,083	→				$ 172,507		
Jt Wells Fargo A	Txble	$ 41,163	→						
IBM Stock	Txble	$ 194,168	→			$ 160,000			
BP Stock	Txble	$ 32,504	→						
Barbara's IRAs	Ret	$ 60,383	→					$ 60,383	
Barbara's Roth	Roth	$ 34,320	→						$ 34,320
	Total	$ 2,418,755	→	$ 1,965,846	$ 25,699	$ 160,000	$ 172,507	$ 60,383	$ 34,320

Presently, all of the accounts are held directly with the mutual fund companies or the stock issuer, providing you with desirable cost efficiencies. The same low costs could be enjoyed with a basket of index funds maintained at the same firm, such as a Vanguard or Fidelity. Consolidating in this manner should not only simplify your record keeping and management tasks, but it should also place you in a "preferred" status which includes even more cost savings and 'concierge' type services.

Asset Allocation Relative to Target

You are holding almost $275,000 in cash. This is almost all in the Stable Asset fund in your 401k. "Stable value" or "stable asset" funds are a hybrid type of investment, which normally includes a mix of money market instruments, short-term bonds, and insurance company contracts. Your target allocation calls for a substantial decrease in cash with a commensurate increase in short-term bonds. That said, you are actually not that far from the target with a stable value fund. Your 401k does not appear to offer a true short-term bond fund.

Once you have retired and rolled you 401k over to your IRA, most of this money should, perhaps be reallocated to a high-quality, low-cost short term bond index fund.

Your target portfolio includes a substantial allocation to intermediate term bonds. In fact, it is your largest recommended asset class at 23%, or about $391,000. Currently, you have even more than this in intermediate bonds, mostly in the form of the "Diversified Bond Fund" in your 401k. When you rollover and reallocate, you may wish to ease up on this asset class in favor of short-term bonds and the stock categories in which you are below-target as described below.

Your Large Cap Value and Large Cap Growth stock holdings are very close to the recommended amounts of about $255,000 and $221,000, respectively. When you execute your transfers, this minor disparity can be rectified, should you choose to follow these suggestions.

Small cap U.S. stocks have historically provided higher returns at the expense of higher risk, when compared with the S&P 500. An appropriate allocation to this asset class is important even to conservative investors, however, because small caps are not perfectly correlated with large stocks. Thus, a 5%-15% allocation to small cap can add an important smoothing effect while boosting returns to your overall portfolio.

The recommended allocation contains about twice as much in small-cap U.S. stocks as you currently own. To bring your allocation in line with the target, you would increase small cap stocks by about $55,000.

Your current allocation to Developed International Stocks is almost exactly at the recommended amount of $289,000 (17%). However, you do not own any funds that have significant allocations to Emerging Market Stocks. Although the recommended allocation to this historically high-risk/high-return category is just 3% (about $51,000), it is an important component. Aside from their diversification benefits, emerging markets, such as India, China, and Brazil, are expected to provide a large and increasing share of the world's economic growth in the future. As your time horizon for retirement is measured in decades, this is important to you.

Your current and target portfolio allocations are displayed side-by-side below:

Current Amount	Current %	Asset Class	Target %	Target Amount
$273,962	16%	Cash Equivalent	6%	$101,935
$0	0%	Short Term Bonds	16%	$271,826
$566,578	33%	Intermediate Term Bonds	23%	$390,750
$0	0%	Long Term Bonds	0%	$0
$244,837	14%	Large Cap Value Stocks	15%	$254,837
$253,496	15%	Large Cap Growth Stocks	13%	$220,859
$9,370	1%	Mid Cap Stocks	0%	$0
$61,357	4%	Small Cap Stocks	7%	$118,924
$289,312	17%	International Developed Stocks	17%	$288,815
$0	0%	International Emerging Stocks	3%	$50,967
$0	0%	Unclassified**	0%	$0
$1,698,912	**100%**	**Total :**	**100%**	**$1,698,912**

Unsystematic Risk

It may be of particular concern that you have almost $200,000 invested in your employer's stock. This represents more than 10% of your assets. Although Consolidated Tool Works may be an extraordinarily solid company, with bright prospects for continued growth, you accept a substantial amount of uncompensated "unsystematic risk" by holding so much in one stock. As explained in detail above (see Investment Management Style), a similar holding of diversified portfolio of large cap stocks offers you the same expected return with a much lower risk.

Style Consistency

Most of your current mutual funds appear to be invested in a manner consistent with their stated objectives, according to their Morningstar categories. Dodge and Cox Balanced fund includes a nice mix of U.S. and foreign stocks (about 62%) along with U.S. bonds. It is noteworthy that the bond portfolio in this fund is rated as having only medium credit quality. We like to see bond funds with high quality credit only, if possible.

The Mutual Discovery fund at Franklin Templeton (TEDIX) is labeled a large cap "world" stock fund. However, 50% of the fund is currently invested in cash. With a 1.3% expense ratio, this is a pretty expensive management fee for hiding in cash.

Fund Expense Ratios

In addition to Mutual Discovery, there are a couple of other funds that have set their performance hurdle high by virtue of lofty expense ratios. The Janus funds, with ratios in the range of .9% are not that high for actively-managed funds, but they are still about 4 times the cost of comparable index funds.

Templeton Foreign, at 1.14% is a bit pricey for a fund with a 2-star rating over the 5-year time horizon. Wells Fargo Advantage Growth, at 1.40% is rather high for a large cap U.S. stock mutual fund.

Manager Tenure

Most of the current funds' managers have been at the helm for at least a few years. The only exception we could find was Janus Enterprise (1.7 years),

Risk/Standard Deviation

The following funds had Morningstar risk ratings of either "Above Average" or "High" for their categories in the 3- and 5-year time periods:

- Janus Overseas
- Dodge and Cox Balanced
- Dodge and Cox International
- Janus Enterprise

Performance/Ratings

Virtually all of your current funds had 3- or 5-year Morningstar performance ratings of 3 stars, or higher.

Accessibility/Liquidity

It did not appear that any of the current holdings have surrender charges or back-end sales charges. A possible exception is the Jackson National annuity. These policies often have surrender charges within the first 5-10 years.

Integrating Asset Allocation & Cash Flow Goals

The discussion above relates to your overall asset allocation and investment goals. As a practical matter, we have also recommended a Cash Flow strategy in the Retirement Distribution section of this report which calls for you to have a substantial amount of cash and short term bonds in you bank and Cash Reserve accounts.

In order to meet this goal for liquidity and still have your overall asset allocation somewhat close to the target, the recommendations for the long-term qualified accounts are slightly more aggressive. Combining all assets, including the short-term and long-term accounts brings your overall allocation into balance with the recommended allocation. See the chart below for details.

PROPOSED

Target Portfolio	Long-Term Acct Target	Target $s		Fred's Consolidated IRA	Fred's Roth IRA	Bank (MM & CDs)	Cash Reserve Account	Barbara's IRAs	Barbara's Roth	Actual $s	Actual %s	Overall Target
Cash	4%	$ 96,750	→	$ 50,846	$ 699	$ 80,000	$ 43,127	$ -	$ -	$ 174,672	7%	6%
Short-term bond	15%	$ 362,813	→	$ 180,000	$ -	$ 80,000	$ 129,380	$ 8,000	$ 5,000	$ 402,380	17%	16%
Int-term bond	20%	$ 483,751	→	$ 500,000	$ 10,000	$ -	$ -	$ 15,383	$ 8,320	$ 533,703	22%	23%
Long-term bond	0%	$ -	→	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0%	0%
Large value	17%	$ 411,188	→	$ 340,000	$ 5,000	$ -	$ -	$ 10,000	$ 6,000	$ 361,000	15%	15%
Large growth	14%	$ 338,626	→	$ 285,000	$ 5,000	$ -	$ -	$ 9,000	$ 5,000	$ 304,000	13%	13%
Mid cap stock	0%	$ -	→	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0%	0%
Small cap	9%	$ 217,688	→	$ 160,000	$ -	$ -	$ -	$ 5,000	$ 3,000	$ 168,000	7%	7%
Int'l developed	18%	$ 435,376	→	$ 375,000	$ 5,000	$ -	$ -	$ 11,000	$ 6,000	$ 397,000	16%	17%
Int'l emerging	3%	$ 72,563	→	$ 75,000	$ -	$ -	$ -	$ 2,000	$ 1,000	$ 78,000	3%	3%
Totals	100%	$ 2,418,755	→	$ 1,965,846	$ 25,699	$ 160,000	$ 172,507	$ 60,383	$ 34,320	$ 2,418,755	100%	100%

To get to the mix above, the following investments could be used in each account:

RECOMMENDED INVESTMENTS BY ACCOUNT

Fred's Consolidated IRA		
Vanguard Prime Money Market-VMMXX	$ 50,846	3%
Vanguard Short Term Bond Index-VBISX	$ 180,000	9%
Vanguard Intermediate Term Bond Index-VBIIX	$ 500,000	25%
	$ -	0%
Vanguard Large Value Index-VIVAX	$ 340,000	17%
Vanguard Large Growth Index-VIGRX	$ 285,000	14%
	$ -	0%
Vanguard Small Cap Index-NAESX	$ 160,000	8%
Vanguard Developed Markets Index-VDMIX	$ 375,000	19%
Vanguard Emerging Markets Index-VEIEX	$ 75,000	4%
	$ 1,965,846	100%

Fred's Roth IRA		
	$ -	0%
	$ -	0%
Vanguard Total Bond Index-VBMFX	$ 10,699	42%
	$ -	0%
Vanguard Total Stock Index-VTSMX	$ 10,000	39%
	$ -	0%
	$ -	0%
	$ -	0%
Vanguard Total International Stock-VGTSX	$ 5,000	19%
	$ -	0%
	$ 25,699	100%

Bank (MM & CDs)		
Money Market or Savings Account	$ 80,000	50%
Short-term CDs	$ 80,000	50%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ 160,000	100%

Cash Reserve Account		
Vanguard Tax Exempt Money Mkt-VMSXX	$ 43,127	25%
Vanguard Short Term Tax Exempt-VWSTX	$ 129,380	75%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ -	0%
	$ 172,507	100%

Barbara's IRAs		
	$ -	0%
	$ -	0%
Vanguard Total Bond Index-VBMFX	$ 23,383	39%
	$ -	0%
Vanguard Total Stock Index-VTSMX	$ 19,000	31%
	$ -	0%
	$ -	0%
Vanguard Small Cap Index-NAESX	$ 5,000	8%
Vanguard Total International Stock-VGTSX	$ 13,000	22%
	$ -	0%
	$ 60,383	100%

Barbara's Roth IRA		
	$ -	0%
	$ -	0%
Vanguard Total Bond Index-VBMFX	$ 13,320	39%
	$ -	0%
Vanguard Total Stock Index-VTSMX	$ 14,000	41%
	$ -	0%
	$ -	0%
	$ -	0%
Vanguard Total International Stock-VGTSX	$ 7,000	20%
	$ -	0%
	$ 34,320	100%

Recommendations

- ☐ Consolidate your accounts at Vanguard
- ☐ Roll over your lump sum pension, old 401(k), and annuity into your IRA
- ☐ Consolidate Barbara's IRAs
- ☐ Execute the Cash Flow strategy account structure (3-account solution, pg. 28)
- ☐ Invest the funds as detailed above
- ☐ Schedule a follow up appointment for six months from today

Summary

Restatement of Goals

Long-Term Goals

Retirement

Pre-tax income of $109,000
After-tax income of $90,000

Short-Term Goals

General Financial Checkup

Assess readiness for secure retirement early in 2010
Advise on decision regarding pension payments versus lump sum

Portfolio Review

Recommend investment mix appropriate for time horizon and risk tolerance

Repay Loans

Factor into Plan repayment of mortgage loan within first five years of retirement

Vacation

Include a $7,000 trip every year through age 80

Initial Projections

100% funding of all goals, $6.3 million ending portfolio value; 99% success probability

Changes to Current Plan

- Make suggested changes in asset allocation
- Retire February 1, 2010
- Make full 401k contribution for 2010
- Take the lump sum pension benefit

Revised Projections

100% funding of all goals, $6.9 million ending portfolio value; 99% success probability

Action Plan

General:

- ☐ Maintain reserves in a savings, money market, and CD accounts of at least $200,000
- ☐ Keep another $130,000 in a high-quality short-term bond fund

Cash Flow:

- ☐ Carefully monitor spending to ensure you are within the amounts established as goals
- ☐ Plan on paying down the mortgage at $45,509/year for five years

Tax Planning:

- ☐ Convert all or a portion of your IRA to a Roth; use other funds to pay the tax
- ☐ Maximize additions to your company retirement plan in 2009 and 2010
- ☐ Use tax-free municipal bonds for the bond allocation in taxable accounts
- ☐ Defer retirement and receipt of separation pay until next year
- ☐ In reallocating, harvest tax losses to offset taxable gains

Retirement Income Planning:

- ☐ If comfortable with the assumptions in this analysis, choose the lump sum payment
- ☐ Monitor income and expenses to make sure you are in the ranges used in the Plan
- ☐ Establish an account structure as described above (on page 28)
- ☐ Draw funds from your taxable accounts first

Risk Management/Insurance:

- ☐ Purchase long-term care insurance policies
- ☐ Discuss umbrella liability coverage with your insurance agent
- ☐ Consider a survivorship life insurance policy to offset projected estate tax

Estate Planning:

- ☐ Consult an Estate Planning attorney regarding living wills, POAs, and bypass trusts
- ☐ Consult with the attorney on an irrevocable life insurance trust, if applicable
- ☐ Have the trust purchase a $2,000,000 second-to-die life insurance policy
- ☐ Specifically designate primary and secondary beneficiaries; specify percentages

Investment Planning:

- ☐ Consolidate the lump sum pension, 401(k), and annuity into your IRA at Vanguard
- ☐ Consolidate Barbara's IRAs
- ☐ Execute the Cash Flow strategy account structure (3-account solution, pg. 28)
- ☐ Invest the funds as detailed above (see page 50)
- ☐ Schedule a follow up appointment for six months from today

Thank you for choosing to work with

Keffer Financial Planning

Bill Keffer

Questions? Call (630) 842-5609 or write Bill@KefferFinancialPlanning.com

Financial Goal Plan

Fred and Barbara Winthrop

Prepared by :

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Principal
Keffer Financial Planning

August 25, 2010

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IMPORTANT DISCLOSURE INFORMATION

IMPORTANT: The projections or other information generated by MoneyGuidePro regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

The return assumptions in MoneyGuidePro are not reflective of any specific product, and do not include any fees or expenses that may be incurred by investing in specific products. The actual returns of a specific product may be more or less than the returns used in MoneyGuidePro. It is not possible to directly invest in an index. Financial forecasts, rates of return, risk, inflation, and other assumptions may be used as the basis for illustrations. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment.

MoneyGuidePro results may vary with each use and over time.

MoneyGuidePro Assumptions and Limitations

Information Provided by You

Information that you provided about your assets, financial goals, and personal situation are key assumptions for the calculations and projections in this Report. Please review the Report sections titled "Personal Information and Summary of Financial Goals", "Current Portfolio Allocation", and "Tax and Inflation Options" to verify the accuracy of these assumptions. If any of the assumptions are incorrect, you should notify your financial advisor. Even small changes in assumptions can have a substantial impact on the results shown in this Report. The information provided by you should be reviewed periodically and updated when either the information or your circumstances change.

All asset and net worth information included in this Report was provided by you or your designated agents, and is not a substitute for the information contained in the official account statements provided to you by custodians. The current asset data and values contained in those account statements should be used to update the asset information included in this Report, as necessary.

Assumptions and Limitations

MoneyGuidePro offers several methods of calculating results, each of which provides one outcome from a wide range of possible outcomes. All results in this Report are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. All results use simplifying assumptions that do not completely or accurately reflect your specific circumstances. No Plan or Report has the ability to accurately predict the future. As investment returns, inflation, taxes, and other economic conditions vary from the MoneyGuidePro assumptions, your actual results will vary (perhaps significantly) from those presented in this Report.

All MoneyGuidePro calculations use asset class returns, not returns of actual investments. The average annual historical returns are calculated using the indices contained in this Report, which serve as proxies for their respective asset classes. The index data are for the period 1970 - 2009. The portfolio returns are calculated by weighting individual return assumptions for each asset class according to your portfolio allocation. The portfolio returns may have been modified by including adjustments to the total return and the inflation rate. The portfolio returns assume reinvestment of interest and dividends at net asset value without taxes, and also assume that the portfolio has been rebalanced to reflect the initial recommendation. No portfolio allocation eliminates risk or guarantees investment results.

MoneyGuidePro does not provide recommendations for any products or securities.

IMPORTANT DISCLOSURE INFORMATION

Asset Class	Historical Return Index	Expense Adjustment
Cash Equivalent	Ibbotson U.S. Treasury Bills - Total Return (1926-2009)	1.00%
Cash Equivalent (Tax-Free)	U.S. 30-Day Treasury Bill adjusted by Donoghue TF discount (1970-1981) Tax-Free Money Market Average (1982-2009)	1.00%
Short Term Bonds	50% Ibbotson U.S. Treasury Bills and 50% Ibbotson Intermediate-Term Government Bonds (1970-1978) Merrill Lynch 1-3 Year Govt Bonds (1979-2009)	1.00%
Short Term Bonds (Tax-Free)	50% Ibbotson U.S. T-Bill and 50% Ibbotson Intermediate-Term Government Bonds adjusted by Barclays Capital 3-year Muni discount (1970-1990) Barclays Capital 3-year Muni Bonds (1991-2009)	1.00%
Intermediate Term Bonds	Ibbotson Intermediate-Term Government Bonds - Total Return (1926-2009)	1.00%
Intermediate Term Bonds (Tax-Free)	Ibbotson Long-Term Government Bonds - Total Return adjusted by Barclays Capital 10-year Muni discount (1970-1979) Barclays Capital 10-year Muni Bonds (1980-2009)	1.00%
Long Term Bonds	Ibbotson Long-Term Corporate Bonds - Total Return (1926-2009)	1.00%
Long Term Bonds (Tax-Free)	Ibbotson Long-Term Government Bonds - Total Return adjusted by Barclays Capital Long Muni Bonds discount (1970-1980) Barclays Capital Long Muni Bonds (1981-2009)	1.00%
Large Cap Value Stocks	S&P 500 Composite Total Return (1970-1994) S&P 500 / Citigroup Value (1995-2009)	1.00%
Large Cap Growth Stocks	S&P 500 Composite Total Return (1970-1994) S&P 500 / Citigroup Growth (1995-2009)	1.00%
Mid Cap Stocks	S&P 500 Composite Total Return (1970-1979) Russell Midcap (1980-2009)	1.00%
Small Cap Stocks	Ibbotson Small Company Stocks - Total Return (1926-2009)	1.00%
International Developed Stocks	MSCI EAFE Equity (1970-2009)	1.00%
International Emerging Stocks	MSCI EAFE Equity (1970-1975) MSCI Emerging Markets (1976-2009)	1.00%

IMPORTANT DISCLOSURE INFORMATION

Risks Inherent in Investing

Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices and the values of fixed income securities fall. When interest rates fall, bond prices and the values of fixed income securities rise. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of most stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

International investing involves additional risks including, but not limited to, changes in currency exchange rates, differences in accounting and taxation policies, and political or economic instabilities that can increase or decrease returns.

Report Is a Snapshot and Does Not Provide Legal, Tax, or Accounting Advice

This Report provides a snapshot of your current financial position and can help you to focus on your financial resources and goals, and to create a plan of action. Because the results are calculated over many years, small changes can create large differences in future results. You should use this Report to help you focus on the factors that are most important to you. This Report does not provide legal, tax, or accounting advice. Before making decisions with legal, tax, or accounting ramifications, you should consult appropriate professionals for advice that is specific to your situation.

MoneyGuidePro Methodology

MoneyGuidePro offers several methods of calculating results, each of which provides one outcome from a wide range of possible outcomes. The methods used are: "Average Returns," "Historical Back Test," "Historical Rolling Periods," "Bad Timing," "Class Sensitivity," and "Monte Carlo Simulations." When using historical returns, the methodologies available are Average Returns, Historical Back Test, Historical Rolling Periods, Bad Timing, and Monte Carlo Simulations. When using projected returns, the methodologies available are Average Returns, Bad Timing, Class Sensitivity, and Monte Carlo Simulations.

Results Using Average Returns

The Results Using Average Returns are calculated using one average return for your pre-retirement period and one average return for your post-retirement period. Average Returns are a simplifying assumption. In the real world, investment returns can (and often do) vary widely from year to year and vary widely from a long-term average return.

Results Using Historical Back Test

The Results Using Historical Back Test are calculated by using the actual historical returns and inflation rates, in sequence, from a starting year to the present, and assumes that you would receive those returns and inflation rates, in sequence, from this year through the end of your Plan. If the historical sequence is shorter than your Plan, the average return for the historical period is used for the balance of the Plan.

Results Using Historical Rolling Periods

The Results Using Historical Rolling Periods is a series of Historical Back Tests, each of which uses the actual historical returns and inflations rates, in sequence, from a starting year to an ending year, and assumes that you would receive those returns and inflation rates, in sequence, from this year through the end of your Plan. If the historical sequence is shorter than your Plan, the average return for the historical period is used for the balance of the Plan.

Indices in Results Using Historical Rolling Periods may be different from indices used in other MoneyGuidePro calculations. Rolling Period Results are calculated using only three asset classes -- Cash, Bonds, and Stocks. The indices used as proxies for these asset classes when calculating Results Using Historical Rolling Periods are:

- Cash - Ibbotson U.S. 30-day Treasury Bills (1926-2009)
- Bonds - Ibbotson Intermediate-Term Government Bonds - Total Return (1926-2009)
- Stocks - Ibbotson Large Company Stocks - Total Return (1926-2009)

Results with Bad Timing

Results with Bad Timing are calculated by using low returns in one or two years, and average returns for all remaining years of the Plan. For most Plans, the worst time for low returns is when you begin taking substantial withdrawals from your portfolio. The Results with Bad Timing assume that you earn a low return in the year(s) you select and then an Adjusted Average Return in all other years. This Adjusted Average Return is calculated so that the average return of the Results with Bad Timing is equal to the return(s) used in calculating the Results Using Average Returns. This allows you to compare two results with the same overall average return, where one (the Results with Bad Timing) has low returns in one or two years.

IMPORTANT DISCLOSURE INFORMATION

When using historical returns, the default for one year of low returns is the lowest annual return in the historical period you are using, and the default for two years of low returns is the lowest two-year sequence of returns in the historical period. When using projected returns, the default for the first year of low returns is two standard deviations less than the average return, and the default for the second year is one standard deviation less than the average return.

Results Using Class Sensitivity

The Results Using Class Sensitivity are calculated by using different return assumptions for one or more asset classes during the years you select. These results show how your Plan would be affected if the annual returns for one or more asset classes were different than the average returns for a specified period in your Plan.

Results Using Monte Carlo Simulations

Monte Carlo simulations are used to show how variations in rates of return each year can affect your results. A Monte Carlo simulation calculates the results of your Plan by running it many times, each time using a different sequence of returns. Some sequences of returns will give you better results, and some will give you worse results. These multiple trials provide a range of possible results, some successful (you would have met all your goals) and some unsuccessful (you would not have met all your goals). The percentage of trials that were successful is shown as the probability that your Plan, with all its underlying assumptions, could be successful. In MoneyGuidePro, this is the Probability of Success. Analogously, the percentage of trials that were unsuccessful is shown as the Probability of Failure. The Results Using Monte Carlo Simulations indicate the likelihood that an event may occur as well as the likelihood that it may not occur. In analyzing this information, please note that the analysis does not take into account actual market conditions, which may severely affect the outcome of your goals over the long-term.

MoneyGuidePro uses a specialized methodology called Beyond Monte Carlo™, a statistical analysis technique that provides results that are as accurate as traditional Monte Carlo simulations with 10,000 trials, but with fewer iterations and greater consistency. Beyond Monte Carlo™ is based on Sensitivity Simulations, which re-runs the Plan only 50 to 100 times using small changes in the return. This allows a sensitivity of the results to be calculated, which, when analyzed with the mean return and standard deviation of the portfolio, allows the Probability of Success for your Plan to be directly calculated.

MoneyGuidePro Presentation of Results

The Results Using Average Returns, Historical Back Test, Historical Rolling Periods, Bad Timing, and Class Sensitivity display the results using an "Estimated % of Goal Funded" and a "Safety Margin."

Estimated % of Goal Funded

For each Goal, the "Estimated % of Goal Funded" is the sum of the assets used to fund the Goal divided by the sum of the Goal's expenses. All values are in current dollars. A result of 100% or more does not guarantee that you will reach a Goal, nor does a result under 100% guarantee that you will not. Rather, this information is meant to identify possible shortfalls in this Plan, and is not a guarantee that a certain percentage of your Goals will be funded. The percentage reflects a projection of the total cost of the Goal that was actually funded based upon all the assumptions that are included in this Plan, and assumes that you execute all aspects of the Plan as you have indicated.

Safety Margin

The Safety Margin is the estimated value of your assets at the end of this Plan, based on all the assumptions included in this Report. Only you can determine if that Safety Margin is sufficient for your needs.

Bear Market Test

The Presentation section of MoneyGuidePro includes the Bear Market Test, which shows how much a portfolio (similar to your Target Portfolio) would have lost in the recession of November 2007 through February 2009.

Regardless of whether you are using historical or projected returns for all other MoneyGuidePro results, the Bear Market Test uses returns calculated from historical indices. If you are using historical returns, the indices in the Bear Market Test may be different from indices used in other calculations. The Bear Market Test is calculated using only three asset classes – Cash, Bonds, and Stocks. The indices and the resulting returns used for the Bear Market Test are:

• Cash = 1.97% = Ibbotson U.S. 30-day Treasury Bills (Nov. 2007 – Feb. 2009)

• Bonds = 3.51% = Ibbotson Intermediate-Term Government Bonds – Total Return (Nov. 2007 – Feb. 2009)

• Stocks = -48.81% = Ibbotson Large Company Stocks – Total Return (Nov. 2007 – Feb. 2009)

Glossary

Acceptable Goal Amount

For each financial goal, you enter an Ideal Amount and an Acceptable Amount. The Acceptable Amount is the minimum amount that would be acceptable to you for funding this goal. The Ideal Amount is the most that you would expect to spend on this goal, or the amount that you would like to have.

IMPORTANT DISCLOSURE INFORMATION

Acceptable Goal Result

The Acceptable Goal Result shows your Monte Carlo Probability of Success when each financial goal is funded at its Acceptable Goal Amount. The Acceptable Goal Result is often used in combination with the Loss Cushion.

Acceptable Retirement Age

You can enter both an Ideal and an Acceptable Retirement Age. The Acceptable Age is the latest you are willing to retire. The Ideal Age is the age at which you would like to retire.

Acceptable Savings Amount

In the Resources section of MoneyGuidePro, you enter additions for your investment assets. We assume that the total of these additions is your Ideal Savings Amount. You can also enter an Acceptable Extra Savings amount, which, when added to the Ideal Savings Amount, is used as your Acceptable Savings Amount.

Asset Allocation

Asset Allocation is the process of determining what portions of your portfolio holdings are to be invested in the various asset classes.

Asset Class

Asset Class is a standard term that broadly defines a category of investments. The three basic asset classes are Cash, Bonds, and Stocks. Bonds and Stocks are often further subdivided into more narrowly defined classes. Some of the most common asset classes are defined below.

Cash

Cash and Cash Equivalents are investments of high liquidity and safety with a known market value and a very short-term maturity. Examples are treasury bills and money market funds. (An investment in a money market fund is not insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market fund.)

Bonds

Bonds are either domestic (U.S.) or global debt securities issued by either private corporations or governments.

Domestic government bonds are backed by the full faith and credit of the U.S. Government and have superior liquidity and, when held to maturity, safety of principal. Domestic corporate bonds carry the credit risk of their issuers and thus usually offer additional yield. Domestic government and corporate bonds can be sub-divided based upon their term to maturity. Short-term bonds have an approximate term to maturity of 1 to 5 years; intermediate-term bonds have an approximate term to maturity of 5 to 10 years; and, long-term bonds have an approximate term to maturity greater than 10 years.

Stocks

Stocks are equity securities of domestic and foreign corporations.

Domestic stocks are equity securities of U.S. corporations. Domestic stocks are often sub-divided based upon the market capitalization of the company (the market value of the company's stock). "Large cap" stocks are from larger companies, "mid cap" from the middle range of companies, and "small cap" from smaller, perhaps newer, companies. Generally, small cap stocks experience greater market volatility than stocks of companies with larger capitalization. Small cap stocks are generally those from companies whose capitalization is less than $500 million, mid cap stocks those between $500 million and $5 billion, and large cap over $5 billion.

Large cap, mid cap and small cap may be further sub-divided into "growth" and "value" categories. Growth companies are those with an orientation towards growth, often characterized by commonly used metrics such as higher price-to-book and price-to-earnings ratios. Analogously, value companies are those with an orientation towards value, often characterized by commonly used metrics such as lower price-to-book and price-to-earnings ratios.

International stocks are equity securities from foreign corporations. International stocks are often sub-divided into those from "developed" countries and those from "emerging markets." The emerging markets are in less developed countries with emerging economies that may be characterized by lower income per capita, less developed infrastructure and nascent capital markets. These "emerging markets" usually are less economically and politically stable than the "developed markets." Investing in international stocks involves special risks, among which include foreign exchange volatility and risks of investing under different tax, regulatory and accounting standards.

Asset Mix

Asset Mix is the combination of asset classes within a portfolio, and is usually expressed as a percentage for each asset class.

IMPORTANT DISCLOSURE INFORMATION

Bear Market Test

The Bear Market Test shows how much a portfolio (similar to your Target Portfolio) would have lost in the recession of November 2007 through February 2009.

Concentrated Position

A Concentrated Position is when your portfolio contains a significant amount (as a percentage of the total portfolio value) in individual stock or bonds. Concentrated Positions have the potential to increase the risk of your portfolio.

Confidence Zone

See Monte Carlo Confidence Zone.

Current Dollars

The Results of MoneyGuidePro calculations are in Future Dollars. To help you compare dollar amounts in different years, we also express the Results in Current Dollars, calculated by discounting the Future Dollars by the sequence of inflation rates used in the Plan.

Current Portfolio

Your Current Portfolio is comprised of all the investment assets you currently own (or a subset of your assets, based on the information you provided for this Plan), categorized by Asset Class and Asset Mix.

Expense Adjustments

When using historical returns, some users of MoneyGuidePro include Expense Adjustments. These adjustments (which are specified by the user) reduce the return for each Asset Class and are commonly used to account for transaction costs or other types of fees associated with investing. If Expense Adjustments have been used in this Report, they will be listed beside the historical indices at the beginning of this Report.

Fund All Goals

Fund All Goals is one of two ways for your assets and retirement income to be used to fund your goals. The other is Earmark, which means that an asset or retirement income is assigned to one or more goals, and will be used only for those goals. Fund All Goals means that the asset or income is not earmarked to fund specific goals, and can be used to fund any goal, as needed in the calculations. The MoneyGuidePro default is Fund All Goals, except for 529 Plans and Coverdell IRAs, which are generally used only for college goals. Fund All Goals is implemented as either Importance Order or Time Order funding. Importance Order means that all assets are used first for the most important goal, then the next most important goal, and so on. Time Order means that all assets are used first for the goal that occurs earliest, then the next chronological goal, and so on.

Future Dollars

Future Dollars are inflated dollars. The Results of MoneyGuidePro calculations are in Future Dollars. To help you compare dollar amounts in different years, we discount the Future Dollar amounts by the inflation rates used in the calculations and display the Results in the equivalent Current Dollars.

Ideal Goal Amount

For each financial goal, you can enter both an Ideal Amount and an Acceptable Amount. The Ideal Amount is the most that you would expect to spend on this goal, or the amount that you would like to have. The Acceptable Amount is the minimum amount that would be acceptable to you for funding this goal.

Ideal Retirement Age

You can enter both an Ideal and an Acceptable Retirement Age. The Ideal Age is the age at which you would like to retire. The Acceptable Age is the latest you are willing to retire.

Ideal Savings Amount

In the Resources section of MoneyGuidePro, you enter additions for your investment assets. We assume that the total of these additions is your Ideal Savings Amount. You can also enter an Acceptable Extra Savings amount, which, when added to the Ideal Savings Amount, is used as your Acceptable Savings Amount.

Inflation Rate

The Inflation Rate is the percentage increase in the cost of goods and services for a specified time period. A historical measure of inflation is the Consumer Price Index (CPI).

Liquidity

Liquidity is the ease with which an investment can be converted into cash.

Loss Cushion

The Loss Cushion shows how much of your portfolio you could lose today while still funding each financial goal at its Acceptable Goal Amount and having a Monte Carlo Probability of Success within the Confidence Zone.

Monte Carlo Confidence Zone

The Monte Carlo Confidence Zone is the range of probabilities that you (and/or your advisor) have selected as your target range for the Monte Carlo Probability of Success in your Plan. The Confidence Zone reflects the Monte Carlo Probabilities of Success with which you would be comfortable, based upon your Plan, your specific time horizon, risk profile, and other factors unique to you.

IMPORTANT DISCLOSURE INFORMATION

Monte Carlo Probability of Success / Probability of Failure

The Monte Carlo Probability of Success is the percentage of trials of your Plan that were successful. If a Monte Carlo simulation runs your Plan 10,000 times, and if 6,000 of those runs are successful (i.e., all your goals are funded and you have at least $1 of Safety Margin), then the Probability of Success for that Plan, with all its underlying assumptions, would be 60%, and the Probability of Failure would be 40%.

Monte Carlo Simulations

Monte Carlo simulations are used to show how variations in rates of return each year can affect your results. A Monte Carlo simulation calculates the results of your Plan by running it many times, each time using a different sequence of returns. Some sequences of returns will give you better results, and some will give you worse results. These multiple trials provide a range of possible results, some successful (you would have met all your goals) and some unsuccessful (you would not have met all your goals).

Needs / Wants / Wishes

In MoneyGuidePro, you choose an importance level from 10 to 1 (where 10 is the highest) for each of your financial goals. Then, the importance levels are divided into three groups: Needs, Wants, and Wishes. Needs are the goals that you consider necessary for your lifestyle, and are the goals that you must fulfill. Wants are the goals that you would really like to fulfill, but could live without. Wishes are the "dream goals" that you would like to fund, although you won't be too dissatisfied if you can't fund them. In MoneyGuidePro, Needs are your most important goals, then Wants, then Wishes. Since you can specify Ideal and Acceptable amounts for all your financial goals, there can be many possible combinations of funding levels among your Needs, Wants, and Wishes.

Portfolio Set

A Portfolio Set is a group of portfolios that provides a range of risk and return strategies for different investors.

Portfolio Return

A Portfolio Return is determined by weighting the return assumption for each Asset Class according to the Asset Mix. If you choose, you or your advisor can override this return on the What If Worksheet, by entering your own return.

Probability of Success / Probability of Failure

See Monte Carlo Probability of Success / Probability of Failure.

Real Return

The Real Return is the Total Return of your portfolio minus the Inflation Rate.

Risk

Risk is the chance that the actual return of an investment, asset class, or portfolio will be different from its expected or average return.

Standard Deviation

Standard Deviation is a statistical measure of the volatility of an investment, an asset class, or a portfolio. It measures the degree by which an actual return might vary from the average return, or mean. Typically, the higher the standard deviation, the higher the potential risk of the investment, asset class, or portfolio.

Star Track

Star Track provides a summary of your Plan results over time, using a bar graph. Each bar shows your results on the date specified, along with your results using all Ideal values, your results using all Acceptable values, and your Monte Carlo Confidence Zone.

Target Portfolio

Your Target Portfolio is the portfolio you have selected based upon your financial goals and your risk tolerance.

Time Horizon

Time Horizon is the period from now until the time the assets in this portfolio will begin to be used.

Total Return

Total Return is the assumed growth rate of your portfolio for a specified time period. The Total Return is either (1) determined by weighting the return assumption for each Asset Class according to the Asset Mix or (2) is entered by you or your advisor (on the What If Worksheet). Also see "Real Return."

Wants

See "Needs / Wants / Wishes".

Willingness

In MoneyGuidePro, in addition to specifying Ideal and Acceptable Goal Amounts, Ideal and Acceptable Savings Amounts, and Ideal and Acceptable Retirement Ages, you specify a Willingness to adjust from an Ideal Amount (or Age) to an Acceptable Amount (or Age). The Willingness choices are Slightly Willing, Somewhat Willing, and Very Willing. If you are unwilling to adjust from your specified Ideal Amount or Age, enter the same value for Ideal and Acceptable.

IMPORTANT DISCLOSURE INFORMATION

Wishes

See "Needs / Wants / Wishes".

Worst One-Year Loss

The Worst One-Year Loss is the lowest annual return that a portfolio with the specified asset mix and asset class indices would have received during the historical period specified.

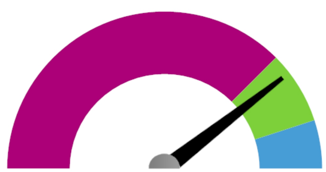
Results

What If Worksheet - Scenarios

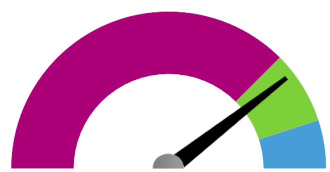
This Worksheet allows you to analyze and compare the results of one or more scenarios that you created by varying the Plan assumptions.

	Estimated % of Goal Funded								
Goals	**Current Scenario**			**Ret 2-1-10**			**Ret 7-1-10**		
	Average Return	**Bad Timing**	**Back Test**	**Average Return**	**Bad Timing**	**Back Test**	**Average Return**	**Bad Timing**	**Back Test**
Needs									
10 Retirement - Living Expense	100%	100%	100%	100%	100%	100%	100%	100%	100%
8 Replace Cars	100%	100%	100%	100%	100%	100%	100%	100%	100%
Wants									
7 Vacation	100%	72%	100%	100%	70%	100%	100%	81%	100%
7 Pay Off Mortgage	100%	100%	100%	100%	100%	100%	100%	100%	100%
Safety Margin (Value at End of Plan)									
Current dollars (in thousands) :	$881	$0	$1,028	$1,029	$0	$1,137	$1,052	$0	$1,184
Future dollars (in thousands) :	$3,398	$0	$4,745	$3,968	$0	$5,250	$4,055	$0	$5,467

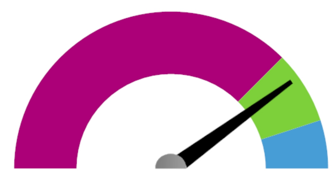
Monte Carlo Results	**Likelihood of Funding All Goals**
Your Confidence Zone: 75% - 90%	



Probability of Success: 79%
In Confidence Zone



Probability of Success: 79%
In Confidence Zone



Probability of Success: 80%
In Confidence Zone

● Indicates different data between the Scenario in the first column and the Scenario in any other column.

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What If Worksheet - Scenarios

Key Assumptions	Current Scenario		Ret 2-1-10		Ret 7-1-10
Stress Tests					
Method(s) :	Bad Timing Program Estimate Years of bad returns : 2010: -6.30% 2011: -10.23% Back Test 1970		Bad Timing Program Estimate Years of bad returns : 2010: -7.78% 2011: -11.58% Back Test 1970		Bad Timing Program Estimate Years of bad returns : 2010: -7.78% 2011: -11.58% Back Test 1970
Funding Order					
Select Order for Assets assigned to Funding All Goals :	Importance Order		Importance Order		Importance Order
Assets - Ignore Earmarks (except for College Savings Plans) :			No		No
Retirement Income - Ignore Earmarks :			No		No
Hypothetical Average Rate of Return					
Before Retirement :	Current	●	Balanced II	●	Balanced II
Total Return :	7.53%	●	7.77%	●	7.77%
Standard Deviation :	9.23%	●	9.84%	●	9.84%
Total Return Adjustment :	0.00%		0.00%		0.00%
Adjusted Real Return :	3.08%	●	3.32%	●	3.32%
During Retirement :	Current	●	Balanced II	●	Balanced II
Total Return :	7.53%	●	7.77%	●	7.77%
Standard Deviation :	9.23%	●	9.84%	●	9.84%
Total Return Adjustment :	0.00%		0.00%		0.00%
Adjusted Real Return :	3.08%	●	3.32%	●	3.32%
Base inflation rate :	4.45%		4.45%		4.45%

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What If Worksheet - Scenarios

Key Assumptions	Current Scenario	Ret 2-1-10	Ret 7-1-10
Goals			
Retirement - Living Expense			
Retirement Age			
Fred :	67	67	67
Planning Age			
Fred :	97	97	97
Barbara :	97	97	97
One Retired			
Barbara retired and Fred working :	$0	$0	$0
Both Retired			
Fred and Barbara retired :	$96,000	$96,000	$96,000
One Alone - Retired			
Barbara alone :	$78,000	$78,000	$78,000
Fred alone :	$78,000	$78,000	$78,000
One Alone - Employed			
Fred employed alone :	$0	$0	$0
Replace Cars			
Year :	2011	2011	2011
Cost :	$30,000	$30,000	$30,000
Is recurring?	Yes	Yes	Yes
Years between occurrences :	5	5	5
Vacation			
Year :	2010	2010	2010
Cost :	$8,000	$8,000	$8,000
Is recurring?	Yes	Yes	Yes
Years between occurrences :	1	1	1
Pay Off Mortgage			
Year :	2010	2010	2010
Cost :	$45,509	$45,509	$45,509
Is recurring?	Yes	Yes	Yes
Years between occurrences :	1	1	1
Number of occurrences :	5	5	5

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What If Worksheet - Scenarios

Key Assumptions	Current Scenario		Ret 2-1-10		Ret 7-1-10
Social Security					
Fred					
Select when benefits will begin :	Enter your own age		Enter your own age		Enter your own age
If you selected enter your own, age to begin retirement benefits :	67 years		67 years		67 years
	months		months		months
Annual benefit - Enter your own - Evaluate annually :	$29,640		$29,640		$29,640
Widow(er) benefit :	$0		$0		$0
Percentage of benefit to use :	100%	●	97%		100%
Barbara					
Select when benefits will begin :	At age of full eligibility		At age of full eligibility		At age of full eligibility
If you selected enter your own, age to begin retirement benefits :	years		years		years
	months		months		months
Annual benefit - Enter your own - Evaluate annually :	$14,820		$14,820		$14,820
Widow(er) benefit :	$0		$0		$0
Percentage of benefit to use :	100%		100%		100%
New Retirement Income Sources					
Addtional Months Worked					
Include In Plan :		●	No	●	Yes
Annual Income :		●	$30,500	●	$30,500
Start Year :		●	Fred's Retirement	●	Fred's Retirement
Select when income will end :	2010		2010		2010
If you selected enter your own, year to end retirement income :	2010		2010		2010

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What If Worksheet - Scenarios

Key Assumptions	Current Scenario		Ret 2-1-10		Ret 7-1-10
Asset Additions					
Fred IBM 401k					
Qualified :	16.00%		16.00%		16.00%
Roth :					
% Designated as Roth:					
Plan addition amount :					
Year additions begin :	2010		2010		2010
Fred - Fund All Goals					
401k Cont- 2010					
Include In Plan :		●	Yes	●	Yes
Addition amount :			$22,000		$22,000
Year additions begin :			2010		2010
Year additions end :		●	2010	●	2010
Fred - Qualified - Fund All Goals					
Extra Savings by Tax Category					
Fred's Qualified (Employer Plans & Traditional IRA)			$0		$0
Barbara's Qualified (Employer Plans & Traditional IRA)			$0		$0
Fred's Roth (Employer Plans & Roth IRA)			$0		$0
Barbara's Roth (Employer Plans & Roth IRA)			$0		$0
Fred's Tax-Deferred			$0		$0
Barbara's Tax-Deferred			$0		$0
Taxable			$0		$0
Other Assets					
ITW Pension					
Net amount received :	$719,843		$719,843	●	$744,788
Year when available :	Fred's retirement		Fred's retirement		Fred's retirement
ITW Separation & Vacation Pay					
Net amount received :	$49,834		$49,834	●	$6,393
Year when available :	2010		2010		2010

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What If Worksheet - Scenarios

Key Assumptions	Current Scenario	Ret 2-1-10	Ret 7-1-10
Tax Options			
Include Tax Penalties :	Yes	Yes	Yes
Change Tax Rate?	No	No	No

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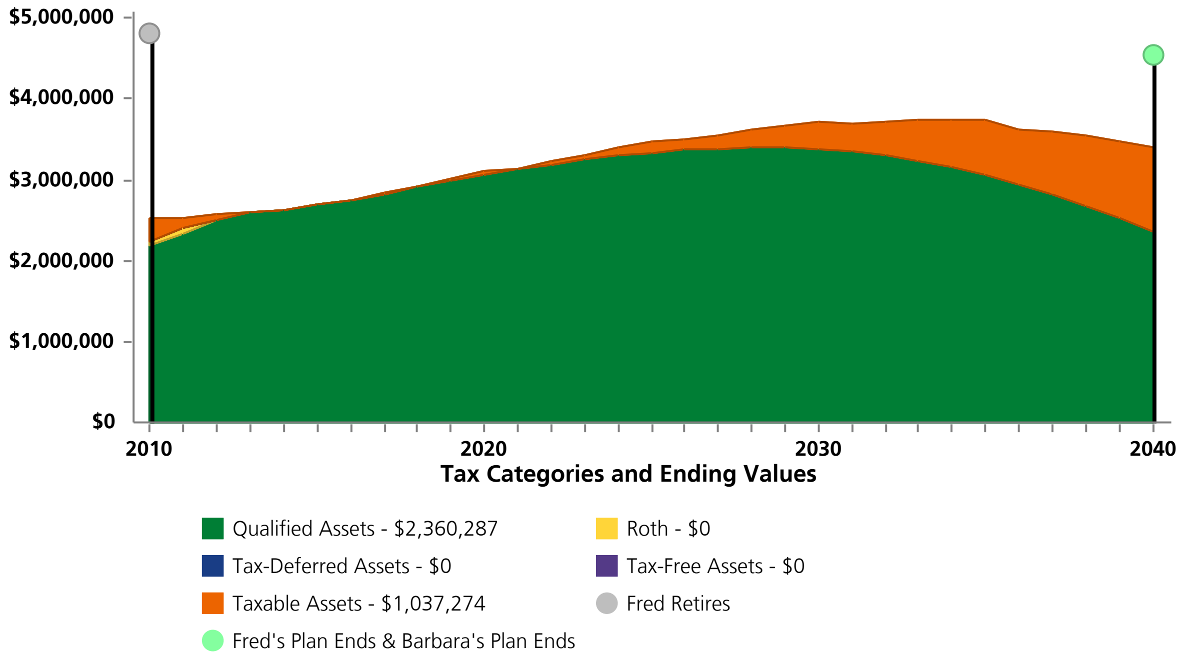
Portfolio Details

What If Worksheet - Combined Details

Scenario : Current Scenario using Average Returns

These pages provide a picture of how your Investment Portfolio may hypothetically perform over the life of this Plan. The graph shows the effect on the value of your Investment Portfolio for each year. The chart shows the detailed activities that increase and decrease your Investment Portfolio value each year including the funds needed to pay for each of your Goals. Shortfalls that occur in a particular year are denoted with an 'X' under the Goal column.

Total Portfolio Value Graph



x - denotes shortfall

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What If Worksheet - Combined Details

Scenario : Current Scenario using Average Returns

		Beginning Portfolio Value							Funds Used				
Event or Ages	Year	Earmarked	Fund All Goals	Additions To Assets	Other Additions	Post Retirement Income	Investment Earnings	Taxes	Retirement	Replace Cars	Vacation	Pay Off Mortgage	Ending Portfolio Value
Fred Retires	2010	194,168	1,504,744	0	769,677	44,460	177,320	12,215	96,000	0	8,000	45,509	2,528,646
68/68	2011	156,378	2,372,268	0	0	46,438	176,724	41,663	100,272	31,335	8,356	47,534	2,522,648
69/69	2012	112,948	2,409,701	0	0	48,505	180,484	11,751	104,734	0	8,728	49,649	2,576,775
70/70	2013	63,769	2,513,006	0	0	50,663	182,104	38,770	109,395	0	9,116	51,859	2,600,402
71/71	2014	8,321	2,592,081	0	0	52,918	183,165	42,897	114,263	0	9,522	54,167	2,615,637
72/72	2015	0	2,615,637	0	0	55,273	189,535	24,629	119,348	0	9,946	0	2,706,523
73/73	2016	0	2,706,523	0	0	57,732	192,229	37,414	124,659	38,956	10,388	0	2,745,067
74/74	2017	0	2,745,067	0	0	60,302	198,526	27,980	130,206	0	10,850	0	2,834,859
75/75	2018	0	2,834,859	0	0	62,985	204,861	30,229	136,000	0	11,333	0	2,925,143
76/76	2019	0	2,925,143	0	0	65,788	211,211	32,686	142,052	0	11,838	0	3,015,566
77/77	2020	0	3,015,566	0	0	68,715	217,561	35,178	148,373	0	12,364	0	3,105,927
78/78	2021	0	3,105,927	0	0	71,773	220,222	37,125	154,976	48,430	12,915	0	3,144,477
79/79	2022	0	3,144,477	0	0	74,967	226,265	40,001	161,872	0	13,489	0	3,230,347
80/80	2023	0	3,230,347	0	0	78,303	232,200	43,105	169,076	0	14,090	0	3,314,579
81/81	2024	0	3,314,579	0	0	81,788	237,985	46,449	176,599	0	14,717	0	3,396,587
82/82	2025	0	3,396,587	0	0	85,427	243,576	50,048	184,458	0	15,372	0	3,475,713
83/83	2026	0	3,475,713	0	0	89,229	244,389	52,725	192,667	60,208	16,056	0	3,487,675
84/84	2027	0	3,487,675	0	0	93,199	249,183	56,806	201,240	0	16,770	0	3,555,241
85/85	2028	0	3,555,241	0	0	97,347	253,632	60,731	210,195	0	17,516	0	3,617,777
86/86	2029	0	3,617,777	0	0	101,679	257,677	64,865	219,549	0	18,296	0	3,674,423
87/87	2030	0	3,674,423	0	0	106,203	261,254	69,206	229,319	0	19,110	0	3,724,244
88/88	2031	0	3,724,244	0	0	110,929	258,654	72,268	239,524	74,851	19,960	0	3,687,225
89/89	2032	0	3,687,225	0	0	115,866	260,763	76,916	250,183	0	20,849	0	3,715,907
90/90	2033	0	3,715,907	0	0	121,022	262,211	80,996	261,316	0	21,776	0	3,735,052
91/91	2034	0	3,735,052	0	0	126,407	262,923	85,101	272,944	0	22,745	0	3,743,591
92/92	2035	0	3,743,591	0	0	132,032	262,821	89,191	285,090	0	23,758	0	3,740,405
93/93	2036	0	3,740,405	0	0	137,908	254,814	91,377	297,777	93,055	24,815	0	3,626,103
94/94	2037	0	3,626,103	0	0	144,045	252,516	94,141	311,028	0	25,919	0	3,591,576
95/95	2038	0	3,591,576	0	0	150,455	249,214	96,602	324,869	0	27,072	0	3,542,702
96/96	2039	0	3,542,702	0	0	157,150	244,828	98,683	339,325	0	28,277	0	3,478,395

x - denotes shortfall

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What If Worksheet - Combined Details

Scenario : Current Scenario using Average Returns

		Beginning Portfolio Value							Funds Used				
Event or Ages	Year	Earmarked	Fund All Goals	Additions To Assets	Other Additions	Post Retirement Income	Investment Earnings	Taxes	Retirement	Replace Cars	Vacation	Pay Off Mortgage	Ending Portfolio Value
Fred's Plan Ends & Barbara's Plan Ends	2040	0	3,478,395	0	0	164,143	239,281	100,297	354,425	0	29,535	0	3,397,562

Notes

- Calculations are based on a "Rolling Year" rather than a Calendar Year. The current date begins the 365-day "Rolling Year".
- Additions and withdrawals occur at the beginning of the year.
- Other Additions come from items entered in the Other Assets section and any applicable proceeds from insurance policies.
- Stock Options and Restricted Stock values are after-tax and based on the Exercise Scenario selected.
- Strategy Income is based on the particulars of the Goal Strategies selected. Strategy Income from immediate annuities, 72(t) distributions, and variable annuities with a guaranteed minimum withdrawal benefit (GMWB) is pre-tax. Strategy Income from Net Unrealized Appreciation (NUA) is after-tax.
- Post Retirement Income includes the following: Social Security, pension, annuity, rental property, royalty, alimony, part-time employment, trust, and any other retirement income as entered in the Plan.
- If either Social Security Program Estimate or Use This Amount and Evaluate Annually is selected for a participant, the program will default to the greater of the selected benefit or the age adjusted spousal benefit based on the other participant's benefit.
- Investment Earnings are calculated on all assets after any withdrawals for 'Goal Expense', 'Taxes on Withdrawals' and 'Tax Penalties' are subtracted.
- The taxes column is a sum of (1) taxes on retirement income, (2) taxes on strategy income, (3) taxes on withdrawals from qualified assets for Required Minimum Distributions, (4) taxes on withdrawals from taxable assets' untaxed gain used to fund Goals in that year, (5) taxes on withdrawals from tax-deferred or qualified assets used to fund goals in that year, and (6) taxes on the investment earnings of taxable assets. Tax rates used are detailed in the Tax and Inflation Options page. (Please note, the Taxes column does not include any taxes owed from the exercise of Stock Options or the vesting of Restricted Stock.)
- Tax Penalties can occur when Qualified and Tax-Deferred Assets are used prior to age 59½. If there is a value in this column, it illustrates that you are using your assets in this Plan in a manner that may incur tax penalties. Generally, it is better to avoid tax penalties whenever possible.
- These calculations do not incorporate penalties associated with use of 529 Plan withdrawals for non-qualified expenses.
- Funds for each Goal Expense are first used from Earmarked Assets. If sufficient funds are not available from Earmarked Assets, Fund All Goals Assets will be used to fund the remaining portion of the Goal Expense, if available in that year.
- All funds needed for a Goal must be available in the year the Goal occurs. Funds from Earmarked Assets that become available after the goal year(s) have passed are not included in the funding of that Goal, and accumulate until the end of the Plan.
- Ownership of Qualified Assets is assumed to roll over to the surviving spouse at the death of the original owner. It is also assumed the surviving spouse inherits all assets of the original owner.

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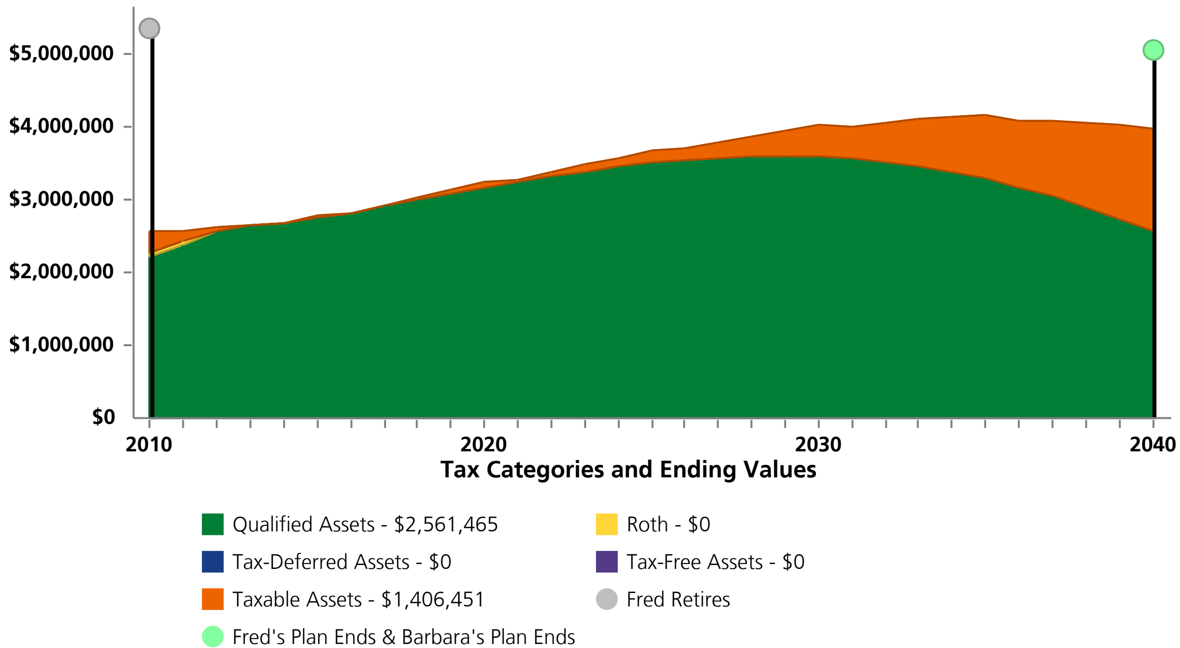
What If Worksheet - Combined Details

Scenario : Ret 2-1-10 using Average Returns

These pages provide a picture of how your Investment Portfolio may hypothetically perform over the life of this Plan. The graph shows the effect on the value of your Investment Portfolio for each year. The chart shows the detailed activities that increase and decrease your Investment Portfolio value each year including the funds needed to pay for each of your Goals. Shortfalls that occur in a particular year are denoted with an 'X' under the Goal column.

Total Portfolio Value Graph



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What If Worksheet - Combined Details

Scenario : Ret 2-1-10 using Average Returns

		Beginning Portfolio Value							Funds Used				
Event or Ages	Year	Earmarked	Fund All Goals	Additions To Assets	Other Additions	Post Retirement Income	Investment Earnings	Taxes	Retirement	Replace Cars	Vacation	Pay Off Mortgage	Ending Portfolio Value
Fred Retires	2010	194,168	1,504,744	22,000	769,677	43,571	184,623	12,142	96,000	0	8,000	45,509	2,557,131
68/68	2011	156,679	2,400,452	0	0	45,510	184,495	41,735	100,272	31,335	8,356	47,534	2,557,904
69/69	2012	113,537	2,444,367	0	0	47,535	188,898	11,804	104,734	0	8,728	49,649	2,619,422
70/70	2013	64,562	2,554,859	0	0	49,650	191,141	38,797	109,395	0	9,116	51,859	2,651,046
71/71	2014	9,210	2,641,836	0	0	51,860	192,854	42,915	114,263	0	9,522	54,167	2,674,894
72/72	2015	0	2,674,894	0	0	54,167	200,065	25,023	119,348	0	9,946	0	2,774,810
73/73	2016	0	2,774,810	0	0	56,578	203,593	37,146	124,659	38,956	10,388	0	2,823,831
74/74	2017	0	2,823,831	0	0	59,096	210,831	28,637	130,206	0	10,850	0	2,924,065
75/75	2018	0	2,924,065	0	0	61,725	218,166	31,060	136,000	0	11,333	0	3,025,564
76/76	2019	0	3,025,564	0	0	64,472	225,574	33,718	142,052	0	11,838	0	3,128,003
77/77	2020	0	3,128,003	0	0	67,341	233,044	36,433	148,373	0	12,364	0	3,231,217
78/78	2021	0	3,231,217	0	0	70,338	236,769	38,612	154,976	48,430	12,915	0	3,283,392
79/79	2022	0	3,283,392	0	0	73,468	244,044	41,776	161,872	0	13,489	0	3,383,766
80/80	2023	0	3,383,766	0	0	76,737	251,274	45,205	169,076	0	14,090	0	3,483,407
81/81	2024	0	3,483,407	0	0	80,152	258,418	48,916	176,599	0	14,717	0	3,581,745
82/82	2025	0	3,581,745	0	0	83,719	265,432	52,926	184,458	0	15,372	0	3,678,140
83/83	2026	0	3,678,140	0	0	87,444	267,585	56,026	192,667	60,208	16,056	0	3,708,213
84/84	2027	0	3,708,213	0	0	91,335	273,910	60,619	201,240	0	16,770	0	3,794,829
85/85	2028	0	3,794,829	0	0	95,400	279,953	65,088	210,195	0	17,516	0	3,877,383
86/86	2029	0	3,877,383	0	0	99,645	285,652	69,822	219,549	0	18,296	0	3,955,013
87/87	2030	0	3,955,013	0	0	104,079	290,939	74,821	229,319	0	19,110	0	4,026,781
88/88	2031	0	4,026,781	0	0	108,711	289,928	78,556	239,524	74,851	19,960	0	4,012,529
89/89	2032	0	4,012,529	0	0	113,548	293,836	84,014	250,183	0	20,849	0	4,064,868
90/90	2033	0	4,064,868	0	0	118,601	297,134	88,987	261,316	0	21,776	0	4,108,525
91/91	2034	0	4,108,525	0	0	123,879	299,737	94,027	272,944	0	22,745	0	4,142,424
92/92	2035	0	4,142,424	0	0	129,392	301,565	99,091	285,090	0	23,758	0	4,165,442
93/93	2036	0	4,165,442	0	0	135,150	295,302	102,058	297,777	93,055	24,815	0	4,078,189
94/94	2037	0	4,078,189	0	0	141,164	295,001	105,641	311,028	0	25,919	0	4,071,766
95/95	2038	0	4,071,766	0	0	147,446	293,746	109,031	324,869	0	27,072	0	4,051,986
96/96	2039	0	4,051,986	0	0	154,007	291,452	112,112	339,325	0	28,277	0	4,017,731

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What If Worksheet - Combined Details

Scenario : Ret 2-1-10 using Average Returns

Event or Ages	Year	Beginning Portfolio Value: Earmarked	Beginning Portfolio Value: Fund All Goals	Additions To Assets	Other Additions	Post Retirement Income	Investment Earnings	Taxes	Funds Used: Retirement	Funds Used: Replace Cars	Funds Used: Vacation	Funds Used: Pay Off Mortgage	Ending Portfolio Value
Fred's Plan Ends & Barbara's Plan Ends	2040	0	4,017,731	0	0	160,860	288,035	114,750	354,425	0	29,535	0	3,967,916

Notes

- Calculations are based on a "Rolling Year" rather than a Calendar Year. The current date begins the 365-day "Rolling Year".
- Additions and withdrawals occur at the beginning of the year.
- Other Additions come from items entered in the Other Assets section and any applicable proceeds from insurance policies.
- Stock Options and Restricted Stock values are after-tax and based on the Exercise Scenario selected.
- Strategy Income is based on the particulars of the Goal Strategies selected. Strategy Income from immediate annuities, 72(t) distributions, and variable annuities with a guaranteed minimum withdrawal benefit (GMWB) is pre-tax. Strategy Income from Net Unrealized Appreciation (NUA) is after-tax.
- Post Retirement Income includes the following: Social Security, pension, annuity, rental property, royalty, alimony, part-time employment, trust, and any other retirement income as entered in the Plan.
- If either Social Security Program Estimate or Use This Amount and Evaluate Annually is selected for a participant, the program will default to the greater of the selected benefit or the age adjusted spousal benefit based on the other participant's benefit.
- Investment Earnings are calculated on all assets after any withdrawals for 'Goal Expense', 'Taxes on Withdrawals' and 'Tax Penalties' are subtracted.
- The taxes column is a sum of (1) taxes on retirement income, (2) taxes on strategy income, (3) taxes on withdrawals from qualified assets for Required Minimum Distributions, (4) taxes on withdrawals from taxable assets' untaxed gain used to fund Goals in that year, (5) taxes on withdrawals from tax-deferred or qualified assets used to fund goals in that year, and (6) taxes on the investment earnings of taxable assets. Tax rates used are detailed in the Tax and Inflation Options page. (Please note, the Taxes column does not include any taxes owed from the exercise of Stock Options or the vesting of Restricted Stock.)
- Tax Penalties can occur when Qualified and Tax-Deferred Assets are used prior to age 59½. If there is a value in this column, it illustrates that you are using your assets in this Plan in a manner that may incur tax penalties. Generally, it is better to avoid tax penalties whenever possible.
- These calculations do not incorporate penalties associated with use of 529 Plan withdrawals for non-qualified expenses.
- Funds for each Goal Expense are first used from Earmarked Assets. If sufficient funds are not available from Earmarked Assets, Fund All Goals Assets will be used to fund the remaining portion of the Goal Expense, if available in that year.
- All funds needed for a Goal must be available in the year the Goal occurs. Funds from Earmarked Assets that become available after the goal year(s) have passed are not included in the funding of that Goal, and accumulate until the end of the Plan.
- Ownership of Qualified Assets is assumed to roll over to the surviving spouse at the death of the original owner. It is also assumed the surviving spouse inherits all assets of the original owner.

x - denotes shortfall

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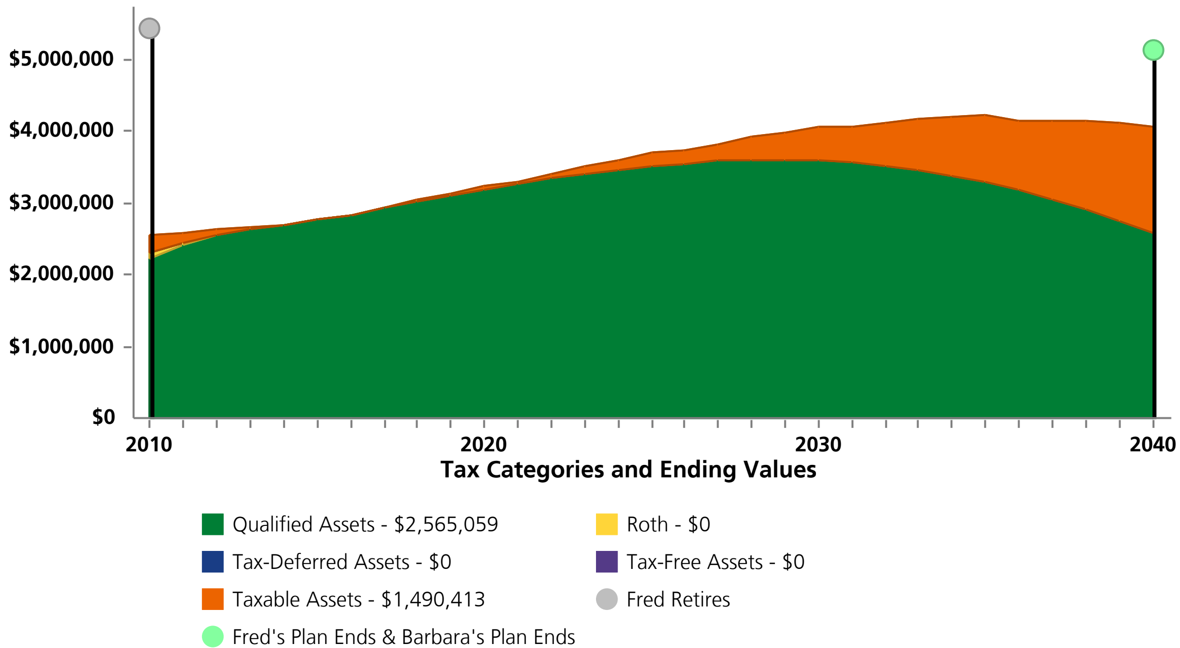
What If Worksheet - Combined Details

Scenario : Ret 7-1-10 using Average Returns

These pages provide a picture of how your Investment Portfolio may hypothetically perform over the life of this Plan. The graph shows the effect on the value of your Investment Portfolio for each year. The chart shows the detailed activities that increase and decrease your Investment Portfolio value each year including the funds needed to pay for each of your Goals. Shortfalls that occur in a particular year are denoted with an 'X' under the Goal column.

Total Portfolio Value Graph



x - denotes shortfall

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What If Worksheet - Combined Details

Scenario : Ret 7-1-10 using Average Returns

Event or Ages	Year	Beginning Portfolio Value: Earmarked	Beginning Portfolio Value: Fund All Goals	Additions To Assets	Other Additions	Post Retirement Income	Investment Earnings	Taxes	Funds Used: Retirement	Funds Used: Replace Cars	Funds Used: Vacation	Funds Used: Pay Off Mortgage	Ending Portfolio Value
Fred Retires	2010	194,168	1,504,744	22,000	751,181	74,960	184,495	26,266	96,000	0	8,000	45,509	2,555,772
68/68	2011	156,679	2,399,094	0	0	46,438	184,925	35,775	100,272	31,335	8,356	47,534	2,563,864
69/69	2012	113,537	2,450,327	0	0	48,505	188,815	19,798	104,734	0	8,728	49,649	2,618,275
70/70	2013	64,562	2,553,713	0	0	50,663	191,136	38,731	109,395	0	9,116	51,859	2,650,973
71/71	2014	9,210	2,641,763	0	0	52,918	192,936	42,847	114,263	0	9,522	54,167	2,676,029
72/72	2015	0	2,676,029	0	0	55,273	200,218	25,309	119,348	0	9,946	0	2,776,918
73/73	2016	0	2,776,918	0	0	57,732	203,878	36,732	124,659	38,956	10,388	0	2,827,794
74/74	2017	0	2,827,794	0	0	60,302	211,208	28,983	130,206	0	10,850	0	2,929,265
75/75	2018	0	2,929,265	0	0	62,985	218,641	31,445	136,000	0	11,333	0	3,032,113
76/76	2019	0	3,032,113	0	0	65,788	226,158	34,146	142,052	0	11,838	0	3,136,023
77/77	2020	0	3,136,023	0	0	68,715	233,745	36,906	148,373	0	12,364	0	3,240,839
78/78	2021	0	3,240,839	0	0	71,773	237,598	39,136	154,976	48,430	12,915	0	3,294,754
79/79	2022	0	3,294,754	0	0	74,967	245,012	42,353	161,872	0	13,489	0	3,397,018
80/80	2023	0	3,397,018	0	0	78,303	252,392	45,839	169,076	0	14,090	0	3,498,709
81/81	2024	0	3,498,709	0	0	81,788	259,699	49,611	176,599	0	14,717	0	3,599,268
82/82	2025	0	3,599,268	0	0	85,427	266,889	53,689	184,458	0	15,372	0	3,698,066
83/83	2026	0	3,698,066	0	0	89,229	269,234	56,860	192,667	60,208	16,056	0	3,730,738
84/84	2027	0	3,730,738	0	0	93,199	275,765	61,530	201,240	0	16,770	0	3,820,162
85/85	2028	0	3,820,162	0	0	97,347	282,030	66,081	210,195	0	17,516	0	3,905,746
86/86	2029	0	3,905,746	0	0	101,679	287,969	70,903	219,549	0	18,296	0	3,986,647
87/87	2030	0	3,986,647	0	0	106,203	293,516	75,997	229,319	0	19,110	0	4,061,940
88/88	2031	0	4,061,940	0	0	110,929	292,784	79,833	239,524	74,851	19,960	0	4,051,486
89/89	2032	0	4,051,486	0	0	115,866	296,993	85,534	250,183	0	20,849	0	4,107,779
90/90	2033	0	4,107,779	0	0	121,022	300,603	90,629	261,316	0	21,776	0	4,155,684
91/91	2034	0	4,155,684	0	0	126,407	303,543	95,800	272,944	0	22,745	0	4,194,144
92/92	2035	0	4,194,144	0	0	132,032	305,731	101,004	285,090	0	23,758	0	4,222,056
93/93	2036	0	4,222,056	0	0	137,908	299,855	104,118	297,777	93,055	24,815	0	4,140,055
94/94	2037	0	4,140,055	0	0	144,045	299,970	107,858	311,028	0	25,919	0	4,139,264
95/95	2038	0	4,139,264	0	0	150,455	299,160	111,292	324,869	0	27,072	0	4,125,646
96/96	2039	0	4,125,646	0	0	157,150	297,352	114,453	339,325	0	28,277	0	4,098,093

x - denotes shortfall

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What If Worksheet - Combined Details

Scenario : Ret 7-1-10 using Average Returns

		Beginning Portfolio Value							Funds Used				
Event or Ages	Year	Earmarked	Fund All Goals	Additions To Assets	Other Additions	Post Retirement Income	Investment Earnings	Taxes	Retirement	Replace Cars	Vacation	Pay Off Mortgage	Ending Portfolio Value
Fred's Plan Ends & Barbara's Plan Ends	2040	0	4,098,093	0	0	164,143	294,464	117,268	354,425	0	29,535	0	4,055,472

Notes

- Calculations are based on a "Rolling Year" rather than a Calendar Year. The current date begins the 365-day "Rolling Year".
- Additions and withdrawals occur at the beginning of the year.
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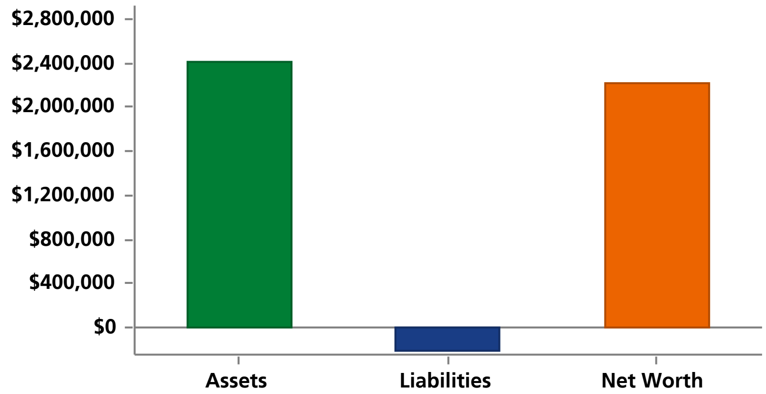
Net Worth

Net Worth - Assets Used In Plan

Your Net Worth is the difference between what you own (your assets) and what you owe (your liabilities). This statement includes only those Investment Assets that you have assigned to Goals in this Plan and all Other Assets and all Liabilities indicated by you. To ensure an accurate Net Worth statement, make certain all of your Assets and Liabilities have been entered and the values are current.



Total Assets	$2,418,755
Total Liabilities	$202,599
Net Worth	**$2,216,156**

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Net Worth - Assets Used In Plan

Net Worth Statement

Description	Fred	Barbara	Joint	Total
Investment Assets				
Retirement Plans :				
Fred IBM 401k	$960,999			$960,999
Traditional IRA :				
Fred Dodge and Cox IRA...0978	$36,589			$36,589
Fred Franklin-Templeton IRA...6817	$56,806			$56,806
Fred Janus IRA...8666	$39,013			$39,013
Fred Franklin-Templeton IRA...0018	$47,330			$47,330
Fred Vanguard GNMA IRA...0639	$89,052			$89,052
Fred Vanguard Tot Stock Mkt IRA...9468	$12,992			$12,992
Barbara Vanguard IRA...9149		$37,235		$37,235
Barbara Dodge and Cox IRA...9948		$13,778		$13,778
Barbara Janus IRA...3776		$9,370		$9,370
Roth IRA :				
Fred Vanguard Roth IRA...5558	$25,699			$25,699
Barbara Dodge & Cox Roth IRA		$34,320		$34,320
Annuities :				
Fred JNL VA...3749	$3,222			$3,222
Taxable :				
Fred IBM Stock- Directly Held	$119,488			$119,488
Fred IBM Stock H&R- Directly Held	$74,680			$74,680
Fred BP -Directly Held	$32,504			$32,504
Joint Dodge and Cox Acct...7207			$12,083	$12,083
Joint Vanguard GNMA Acct...8305			$47,521	$47,521
Joint Wells Fargo Acct...5738			$41,163	$41,163
Joint Vanguard MM Acct...8305			$5,068	$5,068
Total Investment Assets :	*$1,498,374*	*$94,703*	*$105,835*	*$1,698,912*
Other Assets				
Pension and Deferred Compensation :				
ITW Pension	$719,843			$719,843
Total Other Assets :	*$719,843*			*$719,843*

See Important Disclosures section in this Report for explanations of assumptions, limitations, methodologies, and a glossary.

Net Worth - Assets Used In Plan

Total Assets :	*$2,218,217*	*$94,703*	*$105,835*	*$2,418,755*

Description	Fred	Barbara	Joint	Total
Liabilities				
Home and Land Loans :				
Credit Line...6116	$202,599			$202,599
Total Liabilities :	*$202,599*			*$202,599*
Total Liabilities :	*$202,599*			*$202,599*

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Current Assets, Insurance, Income, and Liabilities

Investment Assets

Description	Owner		Current Value	Additions	Assign to Goal	
Barbara Dodge & Cox Roth IRA	Barbara		$34,320		Fund All Goals	
Dodge & Cox Balanced		$34,320				
Barbara Dodge and Cox IRA...9948	Barbara		$13,778		Fund All Goals	
Dodge & Cox International Stock		$13,778				
Barbara Janus IRA...3776	Barbara		$9,370		Fund All Goals	
Janus Enterprise		$9,370				
Barbara Vanguard IRA...9149	Barbara		$37,235		Fund All Goals	
Vanguard Total Stock Mkt Idx		$37,235				
Fred BP -Directly Held	Fred		$32,504		Fund All Goals	
BP Plc		$32,504				
Fred Dodge and Cox IRA...0978	Fred		$36,589		Fund All Goals	
Dodge & Cox Balanced		$36,589				
Fred Franklin-Templeton IRA...0018	Fred		$47,330		Fund All Goals	
Templeton Foreign A		$47,330				
Fred Franklin-Templeton IRA...6817	Fred		$56,806		Fund All Goals	
Mutual Discovery A		$56,806				
Fred IBM 401k	Fred		$960,999		Fund All Goals	
Illinois Tool Works		$58,449				
Foreign Stock Fund		$132,385				
Stable Asset Fund		$268,894				
Large Company US Stock Fund		$70,094				
Diversified Bond Fund		$369,820				
Mid/Small Company US Stock Fund		$61,357				
Fred IBM Stock- Directly Held	Fred		$119,488		Pay Off Mortgage	100%
International Business Machines Corp		$119,488				
Fred IBM Stock H&R- Directly Held	Fred		$74,680		Pay Off Mortgage	100%
IBM		$74,680				
Fred Janus IRA...8666	Fred		$39,013		Fund All Goals	
Janus Overseas		$39,013				
Fred JNL VA...3749	Fred		$3,222		Fund All Goals	
T. Rowe Price Balanced		$3,222				
Fred Vanguard GNMA IRA...0639	Fred		$89,052		Fund All Goals	

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Current Assets, Insurance, Income, and Liabilities

Investment Assets

Description	Owner	Current Value	Additions	Assign to Goal
Vanguard GNMA	$89,052			
Fred Vanguard Roth IRA...5558	Fred	$25,699		Fund All Goals
Vanguard GNMA	$25,699			
Fred Vanguard Tot Stock Mkt IRA...9468	Fred	$12,992		Fund All Goals
Vanguard Total Stock Mkt Idx	$12,992			
Joint Dodge and Cox Acct...7207	Joint	$12,083		Fund All Goals
Dodge & Cox Balanced	$12,083			
Joint Vanguard GNMA Acct...8305	Joint	$47,521		Fund All Goals
Vanguard GNMA	$47,521			
Joint Vanguard MM Acct...8305	Joint	$5,068		Fund All Goals
Vanguard Prime Money Market	$5,068			
Joint Wells Fargo Acct...5738	Joint	$41,163		Fund All Goals
Wells Fargo Advantage Growth Inv	$41,163			
	Total Investment Assets :	**$1,698,912**		

Other Assets

Description	Owner	Current Value	Future Value	Assign to Goal
ITW Pension	Fred	$719,843	$719,843 at Fred's retirement	Fund All Goals
ITW Separation & Vacation Pay	Fred		$49,834 in 2010	Fund All Goals
	Total of Other Assets :	**$719,843**		

Retirement Income

Description	Owner	Value	Increase Rate	Assign to Goal
Social Security Own Amount (Evaluated Annually)	Fred	$29,640 to End of Fred's Plan	Yes, at 4.45%	Fund All Goals
Social Security Own Amount (Evaluated Annually)	Barbara	$14,820 to End of Barbara's Plan	Yes, at 4.45%	Fund All Goals

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Current Assets, Insurance, Income, and Liabilities

Liabilities

Type	Description	Owner	Outstanding Balance	Interest Rate	Monthly Payment
Home - Equity Line	Credit Line...6116	Fred	$202,599	4.00%	$1,000
		Total Outstanding Balance :	**$202,599**		

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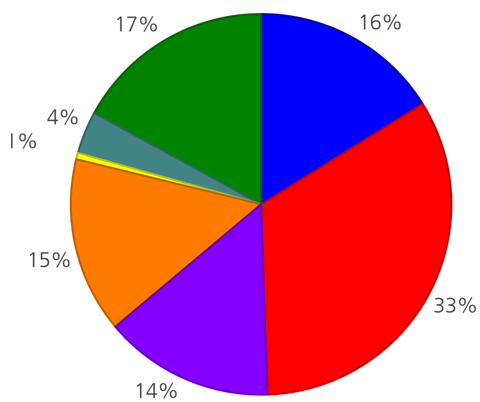
Asset Allocation

Asset Allocation - Results Comparison

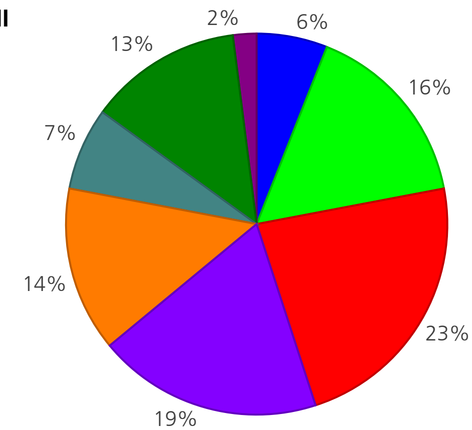
Based upon the information you provided, your Target Portfolio is Balanced II. This Chart compares your Current Portfolio with your Target Portfolio.

Current Portfolio



Assumptions		
7.53%	Total Return	**7.77%**
4.45%	Base Inflation Rate	**4.45%**
3.08%	Real Return	**3.32%**
-15.58%	Worst One-Year Loss (or Lowest Gain)	**-18.06%**
9.23%	Standard Deviation	**9.84%**

Target Portfolio
Balanced II



Portfolio Comparison

Current Amount	% of Total	Asset Class	% of Total	Target Amount
$273,962	16%	Cash Equivalent	6%	$101,935
$0	0%	Short Term Bonds	16%	$271,826
$566,578	33%	Intermediate Term Bonds	23%	$390,750
$0	0%	Long Term Bonds	0%	$0
$244,837	14%	Large Cap Value Stocks	19%	$322,793
$253,496	15%	Large Cap Growth Stocks	14%	$237,848
$9,370	1%	Mid Cap Stocks	0%	$0
$61,357	4%	Small Cap Stocks	7%	$118,924
$289,312	17%	International Developed Stocks	13%	$220,859
$0	0%	International Emerging Stocks	2%	$33,978
$0	0%	Unclassified**	0%	$0
$1,698,912				**$1,698,912**

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Asset Allocation - Changes Needed

Here are the changes you would need to make to your current investments to match the allocation of your Target Portfolio. Before you sell any assets, you must consider the tax consequences of doing so. Consult with your tax advisor for advice. Any decisions to buy or sell securities or participate in one or more investment programs, as a result of this report, should be made by you after careful review and in the context of your overall investment plan.

Changes Required

Asset Class	Increase By	Decrease By	Percentage Change
Cash Equivalent		-$172,027	-10%
Short Term Bonds	$271,826		16%
Intermediate Term Bonds		-$175,828	-10%
Long Term Bonds			%
Large Cap Value Stocks	$77,956		5%
Large Cap Growth Stocks		-$15,649	-1%
Mid Cap Stocks		-$9,370	-1%
Small Cap Stocks	$57,567		3%
International Developed Stocks		-$68,453	-4%
International Emerging Stocks	$33,978		2%
Unclassified			%
Total :	$441,327	-$441,327	

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Asset Allocation - Risk Questionnaire

Updated : 08/30/2009

This is your Risk Tolerance Questionnaire. Your answers were used to help select your Target Portfolio.

Risk You Can Accept

1.	How important is capital preservation?	*Not at all*				*Moderately important*				*Very important*
		○ 1	○ 2	○ 3	○ 4	○ 5	○ 6	○ 7	○ 8	● 9
2.	How important is growth?	*Not at all*				*Moderately important*				*Very important*
		○ 1	○ 2	○ 3	○ 4	○ 5	○ 6	○ 7	○ 8	● 9
3.	How important is low volatility?	*Not at all*				*Moderately important*				*Very important*
		○ 1	○ 2	○ 3	○ 4	○ 5	○ 6	● 7	○ 8	○ 9
4.	How important is inflation protection?	*Not at all*				*Moderately important*				*Very important*
		○ 1	○ 2	○ 3	○ 4	○ 5	○ 6	● 7	○ 8	○ 9
5.	How important is current cash flow?	*Not at all*				*Moderately important*				*Very important*
		○ 1	○ 2	○ 3	○ 4	○ 5	○ 6	○ 7	○ 8	● 9
6.	How much risk are you willing to take to achieve a higher return?	*None at all*				*A moderate amount*				*A lot*
		○ 1	○ 2	○ 3	○ 4	○ 5	○ 6	● 7	○ 8	○ 9

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Assumptions

Personal Information and Summary of Financial Goals

Fred and Barbara Winthrop

Needs

10 Retirement - Living Expense

$96,000 from 2010 thru 2040 (Both retired)

Fred retires in 2010 at age 67
Planning age is 97 in 2040
Barbara is retired
Planning age is 97 in 2040
Retirement period is 31 years
Base Inflation Rate (4.45%)

8 Replace Cars

$30,000 in 2011

Recurring every 5 years until end of Barbara's plan
Base Inflation Rate (4.45%)

Wants

7 Vacation

$8,000 in 2010

Recurring every year until end of Fred's plan
Base Inflation Rate (4.45%)

7 Pay Off Mortgage

$45,509 in 2010

Recurring every year for a total of 5 times
Base Inflation Rate (4.45%)

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Personal Information and Summary of Financial Goals

Personal Information

Fred

Male - born 01/06/1943, age 67

Employed - $136,000

Barbara

Female - born 09/18/1943, age 66

Retired

Married, US Citizens living in IL

- This section lists the Personal and Financial Goal information you provided, which will be used to create your Report. It is important that it is accurate and complete.

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Fred and Barbara Winthrop Aggregate

Benchmark: Balanced II

Portfolio Value
$ 1,901,023.99

Analysis

Composition %

	Portfolio	Bmark
Cash	18.42	6.20
US Stocks	37.45	34.95
Non-US Stocks	16.58	20.04
Bonds	26.55	38.80
Other	1.00	0.02

Current Investment Style

Style

Value	Core	Growth	
19	47	15	Large Size
3	3	4	Medium
2	3	4	Small

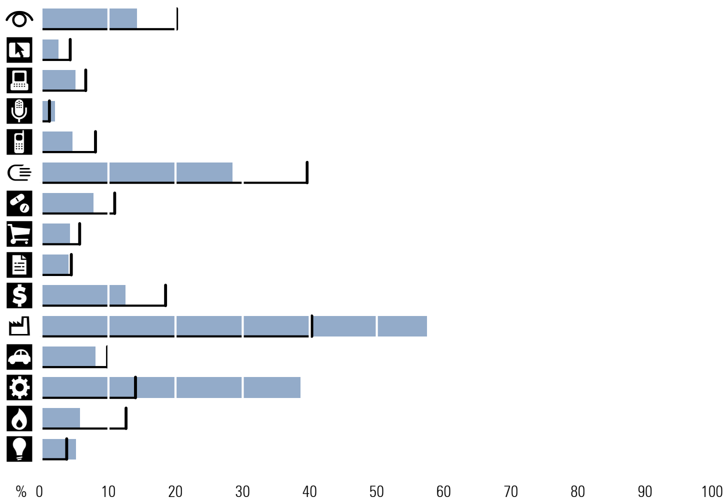
Fixed-Income Investment Style %

Maturity

Short	Interm	Long	
29	67		High Quality
	4		Medium
			Low

Sector Weightings

% of Stocks	Portfolio	Bmark
Info Economy	**14.18**	**20.13**
Software	2.54	4.29
Hardware	5.09	6.61
Media	1.97	1.19
Telecommunication	4.59	8.04
Service Economy	**28.42**	**39.56**
Healthcare	7.74	10.92
Consumer Services	4.25	5.70
Business Services	3.97	4.46
Financial Services	12.46	18.49
Mfg Economy	**57.38**	**40.26**
Consumer Goods	8.01	9.86
Industrial Materials	38.52	14.00
Energy	5.73	12.62
Utilities	5.12	3.79



Regional Exposure

% of Stocks	Portfolio	Bmark
Americas	**71.85**	**64.84**
North America	71.04	63.55
Latin America	0.81	1.29
Greater Europe	**19.26**	**21.91**
United Kingdom	5.95	6.83
Europe dep	12.83	13.96
Europe emrg	0.22	0.55
Africa/Middle East	0.26	0.57
Greater Asia	**8.87**	**13.22**
Japan	4.03	6.40
Australasia	1.21	2.63
Asia dev	2.55	2.48
Asia emrg	1.07	1.72
Not Available	**0.03**	**0.03**

Performance

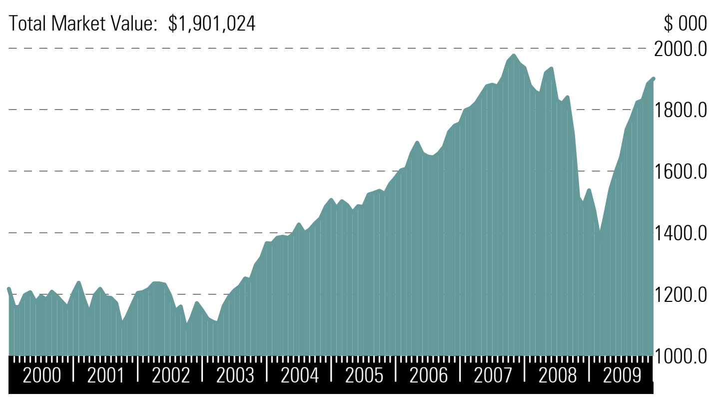
Trailing Returns

Returns Through 12-31-2009

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Pre-Tax Portfolio Return	4.25	23.59	2.69	4.76	4.56
+/- Benchmark Return	1.48	4.75	3.19	1.61	1.67

Investment Activity Graph

Total Market Value: $1,901,024



Best/Worst Time Periods

	3 Months	Return%	1 Year	Return%	3 Years	Return%
Best	03-09/05-09	16.32	12-08/11-09	26.60	04-03/03-06	14.50
Worst	09-08/11-08	-19.13	03-08/02-09	-26.06	03-06/02-09	-5.11

Risk/Returns Against MF Universe

	3 Yr (20633 funds)	5 Yr (18047 funds)	10 Yr (13283 funds)
Return	26	17	42
Risk	29	31	35

(1=Best, 100=Worst)

Average Star Rating

Portfolio	3.8 ★	(86%)*
Mgd Products	4.0 ★	(67%)*
Stocks	3.0 ★	(19%)*

*percent of portfolio used in average

Holdings

Top 10 holdings out of 25

	Type	Holding Value $	% Assets
ING PIMCO Total Return Bond S2	MF	370124.38	19.47
Putnam Money Market R	MF	268894.00	14.14
Northern Institutional Intl Eq Idx A	MF	157582.73	8.29
Illinois Tool Works, Inc.	ST	153568.00	8.08
Illinois Tool Works, Inc.	ST	95980.00	5.05
Vanguard GNMA	MF	89303.75	4.70
Northern Institutional Equity Index A	MF	84988.04	4.47
Northern Institutional Small Co Idx A	MF	75220.60	3.96
Illinois Tool Works, Inc.	ST	75119.71	3.95
Mutual Global Discovery A	MF	63244.10	3.33

Fred and Barbara Winthrop Aggregate

Benchmark: Balanced II

Portfolio Value
$ 1,901,023.99

Fundamental Analysis

Market Maturity

% of Stocks	Portfolio	Bmark
Developed Markets	97.86	96.03
Emerging Markets	2.14	3.97
Not Available	0.00	0.00

Geo Avg Market Capitalization ($Mil)

Portfolio	18950.96
Benchmark	28189.58

Valuation Multiples

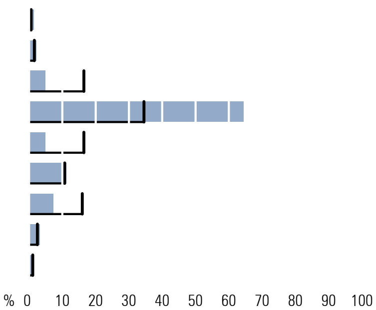
	Portfolio	Bmark
P/E Ratio TTM	23.15	17.80
P/B Ratio TTM	2.22	2.10
P/S Ratio TTM	1.30	1.31
P/C Ratio TTM	9.04	8.59

Interest Rate Risk

	Portfolio
Maturity	—
Duration (total portfolio)	3.75
Avg Credit Quality	AA

Type Weightings

% of US Stocks	Portfolio	Bmark
High Yield	1.44	0.64
Distressed	2.14	1.56
Hard Assets	4.90	16.50
Cyclical	64.35	34.48
Slow Growth	4.95	16.44
Classic Growth	11.14	10.73
Aggressive Growth	7.27	15.99
Speculative Growth	3.20	2.51
Not Available	0.62	1.15



Profitability

% of US Stocks	Portfolio 2008	Bmark 2008
Net Margin	7.94	8.36
ROE	14.20	13.16
ROA	6.86	5.03
Debt/Capital	24.21	34.02

Credit Quality

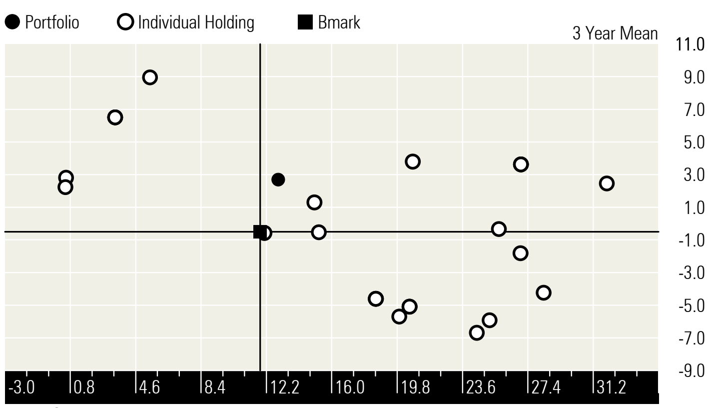
% of Bonds			
AAA	77.92	B	0.26
AA	6.76	Below B	1.11
A	9.05	NR/NA	0.20
BBB	4.22		
BB	0.48		

Fund Statistics

Potential Cap Gains Exposure	-7.28
Avg Gross Exp Ratio	0.81

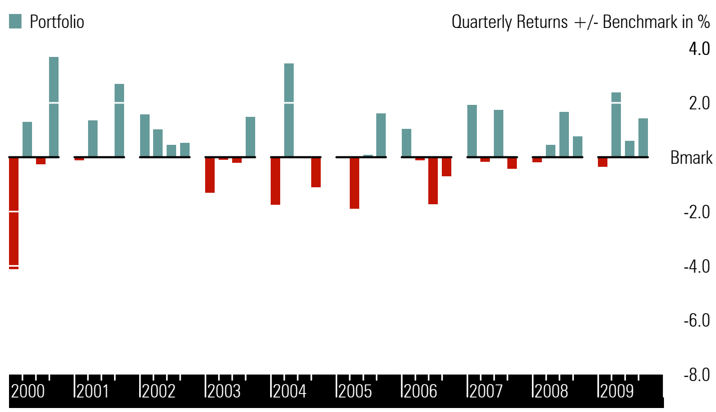
Risk Analysis

Risk/Reward Scatterplot



3 Year Standard Deviation

Performance History Graph



Risk and Return Statistics

	3 Yr Portfolio	3 Yr Bmark	5 Yr Portfolio	5 Yr Bmark	10 Yr Portfolio	10 Yr Bmark
Standard Deviation	12.89	11.84	10.41	9.66	9.92	9.34
Mean	2.69	-0.50	4.76	3.16	4.56	2.89
Sharpe Ratio	0.11	-0.16	0.22	0.07	0.21	0.05

MPT Statistics

	3 Yr Portfolio	5 Yr Portfolio	10 Yr Portfolio
Alpha	3.40	1.60	1.67
Beta	1.06	1.03	1.00
R-squared	95	92	88

MORNINGSTAR®

Fred and Barbara Winthrop Aggregate

Benchmark: Balanced II

Portfolio Value
$ 1,901,023.99

Total 25 holdings as of 12-31-2009	Type	Portfolio Holdings Date	% of Assets	Holding Value $	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %	Max Front Load %	Max Back Load %	Expense Ratio %	M & E Risk %
ING PIMCO Total Return Bond S2	MF	2009-09-30	19.47	370124.38	14.30	8.95	6.64	5.36	0.00	0.00	1.06	—
Putnam Money Market R	MF	NA	14.14	268894.00	0.10	2.23	2.63	—	0.00	0.00	1.08	—
Northern Institutional Intl Eq Idx A	MF	2009-09-30	8.29	157582.73	28.67	-6.70	3.00	0.97	0.00	0.00	0.61	—
Illinois Tool Works, Inc.	ST	—	8.08	153568.00	41.36	3.92	2.89	5.39	—	—	—	—
Illinois Tool Works, Inc.	ST	—	5.05	95980.00	41.36	3.92	2.89	5.39	—	—	—	—
Vanguard GNMA	MF	2009-09-30	4.70	89303.75	5.28	6.50	5.42	6.23	0.00	0.00	0.23	—
Northern Institutional Equity Index A	MF	2009-09-30	4.47	84988.04	26.53	-5.70	0.29	-1.11	0.00	0.00	0.25	—
Northern Institutional Small Co Idx A	MF	2009-09-30	3.96	75220.60	27.50	-5.93	0.55	3.46	0.00	0.00	0.70	—
Illinois Tool Works, Inc.	ST	—	3.95	75119.71	41.36	3.92	2.89	5.39	—	—	—	—
Mutual Global Discovery A	MF	2009-09-30	3.33	63244.10	20.89	-0.58	6.87	8.36	5.75	0.00	1.30	—
Templeton Foreign A	MF	2009-09-30	3.11	59049.82	49.73	-1.82	4.66	4.61	5.75	0.00	1.19	—
Wells Fargo Advantage Growth Inv	MF	2009-10-31	2.79	52965.60	47.33	3.79	5.59	-1.55	0.00	0.00	1.46	—
Janus Overseas J	MF	2009-09-30	2.57	48823.57	78.12	2.45	15.95	4.94	0.00	0.00	0.90	—
Vanguard GNMA	MF	2009-09-30	2.51	47655.39	5.28	6.50	5.42	6.23	0.00	0.00	0.23	—
Vanguard Total Stock Mkt Idx	MF	2009-09-30	2.39	45426.73	28.70	-5.10	0.91	-0.27	0.00	0.00	0.18	—
Dodge & Cox Balanced	MF	2009-09-30	2.29	43587.14	28.37	-4.62	1.04	6.20	0.00	0.00	0.53	—
Dodge & Cox Balanced	MF	2009-09-30	2.15	40883.80	28.37	-4.62	1.04	6.20	0.00	0.00	0.53	—
Southern Company	ST	—	1.83	34757.09	-4.83	1.50	4.66	14.18	—	—	—	—
Vanguard GNMA	MF	2009-09-30	1.36	25771.68	5.28	6.50	5.42	6.23	0.00	0.00	0.23	—
Dodge & Cox International Stock	MF	2009-09-30	0.91	17263.02	47.46	-4.24	5.59	—	0.00	0.00	0.64	—
Vanguard Total Stock Mkt Idx	MF	2009-09-30	0.83	15850.18	28.70	-5.10	0.91	-0.27	0.00	0.00	0.18	—
Dodge & Cox Balanced	MF	2009-09-30	0.76	14393.94	28.37	-4.62	1.04	6.20	0.00	0.00	0.53	—
Janus Enterprise J	MF	2009-09-30	0.62	11770.68	42.90	-0.34	4.54	-4.78	0.00	0.00	0.92	—
Vanguard Prime Money Market Inv	MF	NA	0.27	5068.00	0.53	2.80	3.25	3.03	0.00	0.00	0.25	—
T. Rowe Price Balanced	MF	2009-09-30	0.20	3732.03	28.28	-0.54	3.38	3.58	0.00	0.00	0.69	—

Performance Disclosure

The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For more current information please visit www.morningstaradvisor.com/familyinfo.

See Disclosure Page for Standardized Returns.

MORNINGSTAR®

Fred- New Aggregate

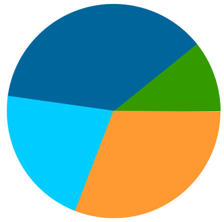
Benchmark: Balanced II

Portfolio Value
$ 2,725,662.60

Analysis

Composition %

	Portfolio	Bmark
Cash	10.77	6.20
US Stocks	37.02	34.95
Non-US Stocks	21.36	20.04
Bonds	30.70	38.80
Other	0.16	0.02



Current Investment Style

Style

Value	Core	Growth	
26	25	22	Large Size
6	6	6	Medium
3	3	4	Small

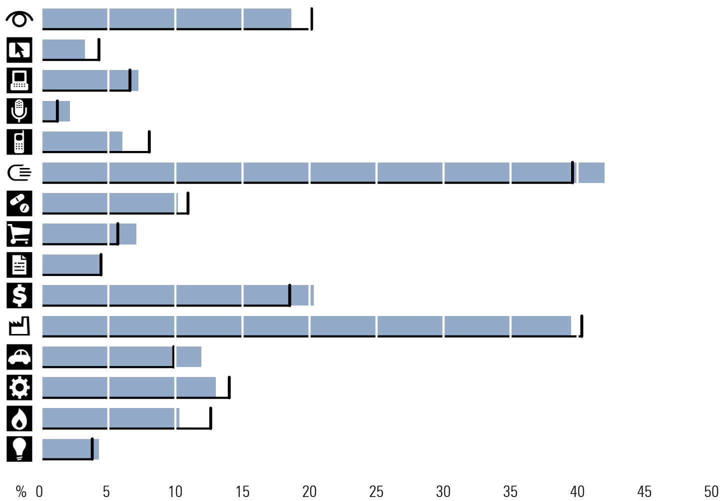
Fixed-Income Investment Style %

Maturity

Short	Interm	Long	
36	5	59	High Quality
			Medium
			Low

Sector Weightings

% of Stocks	Portfolio	Bmark
Info Economy	**18.61**	**20.13**
Software	3.24	4.29
Hardware	7.22	6.61
Media	2.10	1.19
Telecommunication	6.04	8.04
Service Economy	**41.95**	**39.56**
Healthcare	10.18	10.92
Consumer Services	7.07	5.70
Business Services	4.41	4.46
Financial Services	20.29	18.49
Mfg Economy	**39.47**	**40.26**
Consumer Goods	11.90	9.86
Industrial Materials	13.00	14.00
Energy	10.28	12.62
Utilities	4.28	3.79



Regional Exposure

% of Stocks	Portfolio	Bmark
Americas	**65.06**	**64.84**
North America	63.58	63.55
Latin America	1.48	1.29
Greater Europe	**21.39**	**21.91**
United Kingdom	6.61	6.83
Europe dep	13.62	13.96
Europe emrg	0.44	0.55
Africa/Middle East	0.71	0.57
Greater Asia	**13.55**	**13.22**
Japan	6.31	6.40
Australasia	2.52	2.63
Asia dev	2.77	2.48
Asia emrg	1.95	1.72
Not Available	**-0.00**	**0.03**

Performance

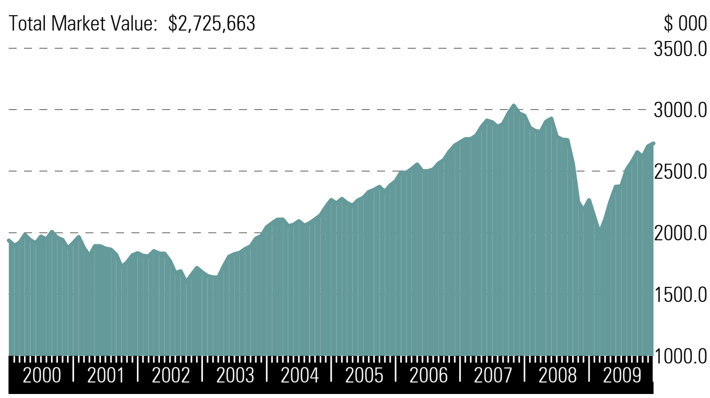
Trailing Returns

Returns Through 12-31-2009

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Pre-Tax Portfolio Return	2.69	20.35	-0.12	3.77	3.48
+/- Benchmark Return	-0.09	1.50	0.37	0.61	0.59

Investment Activity Graph

Total Market Value: $2,725,663



Best/Worst Time Periods

	3 Months	Return%	1 Year	Return%	3 Years	Return%
Best	03-09/05-09	19.11	04-03/03-04	28.83	04-03/03-06	15.46
Worst	09-08/11-08	-20.79	03-08/02-09	-29.49	03-06/02-09	-7.12

Risk/Returns Against MF Universe

	3 Yr (20633 funds)	5 Yr (18047 funds)	10 Yr (13283 funds)
Return	39	30	56
Risk	31	32	36

(1=Best, 100=Worst)

Average Star Rating

Portfolio	3.5 ★	(91%)*
Mgd Products	3.5 ★	(91%)*
Stocks	0.0 ★	(0%)*

*percent of portfolio used in average

Holdings

Top 10 holdings out of 22

	Type	Holding Value $	% Assets
Vanguard Interm-Term Bond Index	MF	515384.58	18.91
Vanguard Developed Markets Index	MF	449528.29	16.49
Vanguard Value Index	MF	410778.27	15.07
Vanguard Growth Index	MF	349000.43	12.80
Vanguard Small Cap Index	MF	200931.83	7.37
Vanguard Short-Term Bond Index	MF	181744.18	6.67
Vanguard Short-Term Tx-Ex	MF	130033.45	4.77
Vanguard Emerging Mkts Stock Idx	MF	97162.50	3.56
Cash: 3 Month T-bill	PY	80000.00	2.94
Cash: Money Market - Taxable	PY	80000.00	2.94

Fred- New Aggregate

Benchmark: Balanced II

Portfolio Value
$ 2,725,662.60

Fundamental Analysis

Market Maturity

% of Stocks	Portfolio	Bmark
Developed Markets	95.71	96.03
Emerging Markets	4.29	3.97
Not Available	0.00	0.00

Geo Avg Market Capitalization ($Mil)

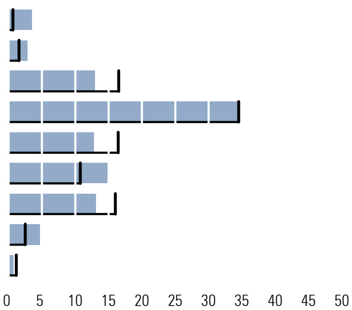
Portfolio	20120.54
Benchmark	28189.58

Valuation Multiples	Portfolio	Bmark
P/E Ratio TTM	15.64	17.80
P/B Ratio TTM	1.98	2.10
P/S Ratio TTM	0.96	1.31
P/C Ratio TTM	7.67	8.59

Interest Rate Risk	Portfolio
Maturity	5.58
Duration (total portfolio)	4.64
Avg Credit Quality	AA

Type Weightings

% of US Stocks	Portfolio	Bmark
High Yield	3.49	0.64
Distressed	2.84	1.56
Hard Assets	12.94	16.50
Cyclical	34.65	34.48
Slow Growth	12.80	16.44
Classic Growth	14.83	10.73
Aggressive Growth	13.05	15.99
Speculative Growth	4.68	2.51
Not Available	0.72	1.15



Profitability

% of US Stocks	Portfolio 2008	Bmark 2008
Net Margin	6.72	8.36
ROE	12.42	13.16
ROA	4.35	5.03
Debt/Capital	36.71	34.02

Credit Quality

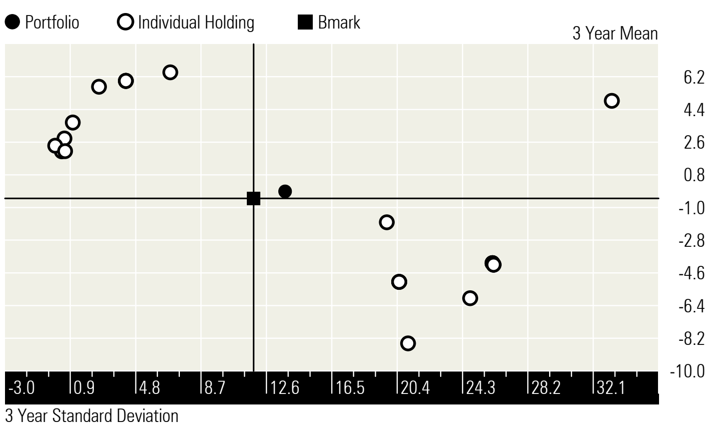
% of Bonds			
AAA	57.49	B	0.00
AA	12.28	Below B	0.00
A	16.88	NR/NA	0.14
BBB	13.22		
BB	0.00		

Fund Statistics

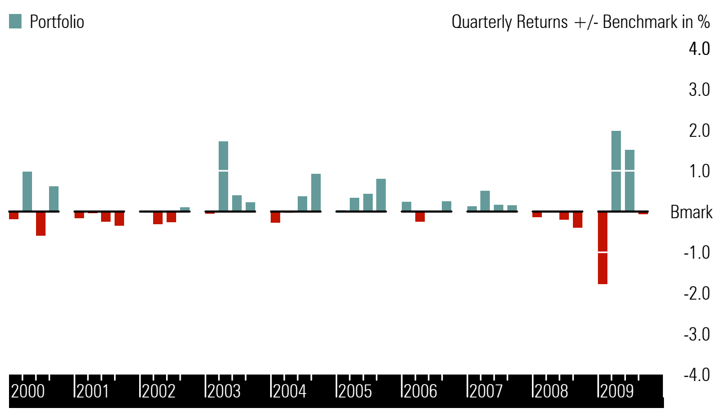
Potential Cap Gains Exposure	-6.14
Avg Gross Exp Ratio	0.24

Risk Analysis

Risk/Reward Scatterplot



Performance History Graph



Risk and Return Statistics	3 Yr Portfolio	3 Yr Bmark	5 Yr Portfolio	5 Yr Bmark	10 Yr Portfolio	10 Yr Bmark
Standard Deviation	13.72	11.84	11.04	9.66	10.15	9.34
Mean	-0.12	-0.50	3.77	3.16	3.48	2.89
Sharpe Ratio	-0.09	-0.16	0.13	0.07	0.11	0.05

MPT Statistics	3 Yr Portfolio	5 Yr Portfolio	10 Yr Portfolio
Alpha	0.91	0.65	0.62
Beta	1.15	1.14	1.08
R-squared	99	99	98

Fred- New Aggregate

Benchmark: Balanced II

Portfolio Value
$ 2,725,662.60

Total 22 holdings as of 12-31-2009	Type	Portfolio Holdings Date	% of Assets	Holding Value $	1 Yr Ret %	3 Yr Ret %	5 Yr Ret %	10 Yr Ret %	Max Front Load %	Max Back Load %	Expense Ratio %	M & E Risk %
Vanguard Interm-Term Bond Index	MF	2009-09-30	18.91	515384.58	6.39	6.31	4.90	6.79	0.00	0.00	0.22	—
Vanguard Developed Markets Index	MF	2009-09-30	16.49	449528.29	28.17	-6.00	3.50	—	0.00	0.00	0.29	—
Vanguard Value Index	MF	2009-09-30	15.07	410778.27	19.58	-8.49	0.05	1.23	0.00	0.00	0.26	—
Vanguard Growth Index	MF	2009-09-30	12.80	349000.43	36.29	-1.82	1.63	-2.75	0.00	0.00	0.28	—
Vanguard Small Cap Index	MF	2009-09-30	7.37	200931.83	36.12	-4.16	1.80	4.36	0.00	0.00	0.28	—
Vanguard Short-Term Bond Index	MF	2009-09-30	6.67	181744.18	4.06	5.56	4.40	5.07	0.00	0.00	0.22	—
Vanguard Short-Term Tx-Ex	MF	2009-09-30	4.77	130033.45	3.07	3.67	3.18	3.17	0.00	0.00	0.20	—
Vanguard Emerging Mkts Stock Idx	MF	2009-09-30	3.56	97162.50	76.04	4.89	14.54	9.83	0.00	0.00	0.39	—
Cash: 3 Month T-bill	PY	NA	2.94	80000.00	0.16	2.13	2.95	2.88	—	—	0.00	—
Cash: Money Market - Taxable	PY	NA	2.94	80000.00	0.18	2.25	2.75	2.56	—	—	0.00	—
Vanguard Prime Money Market Inv	MF	NA	1.87	50846.00	0.53	2.80	3.25	3.03	0.00	0.00	0.25	—
Vanguard Tax-Exempt Money Market	MF	NA	1.58	43127.00	0.41	2.09	2.40	2.21	0.00	0.00	0.17	—
Vanguard Total Bond Market Index	MF	2009-09-30	0.87	23796.82	5.92	5.96	4.90	6.05	0.00	0.00	0.22	—
Vanguard Total Stock Mkt Idx	MF	2009-09-30	0.85	23179.88	28.70	-5.10	0.91	-0.27	0.00	0.00	0.18	—
Vanguard Total Stock Mkt Idx	MF	2009-09-30	0.63	17079.94	28.70	-5.10	0.91	-0.27	0.00	0.00	0.18	—
Vanguard Total Intl Stock Index	MF	2009-09-30	0.58	15676.21	36.73	-4.07	5.26	2.29	0.00	0.00	0.34	—
Vanguard Total Bond Market Index	MF	2009-09-30	0.50	13555.71	5.92	5.96	4.90	6.05	0.00	0.00	0.22	—
Vanguard Total Stock Mkt Idx	MF	2009-09-30	0.45	12199.88	28.70	-5.10	0.91	-0.27	0.00	0.00	0.18	—
Vanguard Total Bond Market Index	MF	2009-09-30	0.40	10888.41	5.92	5.96	4.90	6.05	0.00	0.00	0.22	—
Vanguard Total Intl Stock Index	MF	2009-09-30	0.31	8440.95	36.73	-4.07	5.26	2.29	0.00	0.00	0.34	—
Vanguard Small Cap Index	MF	2009-09-30	0.23	6278.99	36.12	-4.16	1.80	4.36	0.00	0.00	0.28	—
Vanguard Total Intl Stock Index	MF	2009-09-30	0.22	6029.29	36.73	-4.07	5.26	2.29	0.00	0.00	0.34	—

Performance Disclosure

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See Disclosure Page for Standardized Returns.

RECOMMENDED INVESTMENTS BY ACCOUNT

	Fred's Consolidated IRA				Fred's Roth IRA	
Vanguard Prime Money Market-VMMXX	$ 50,846	3%			$ -	0%
Vanguard Short Term Bond Index-VBISX	$ 180,000	9%			$ -	0%
Vanguard Intermediate Term Bond Index-VBIIX	$ 500,000	25%		Vanguard Total Bond Index-VBMFX	$ 10,699	42%
	$ -	0%			$ -	0%
Vanguard Large Value Index-VIVAX	$ 340,000	17%		Vanguard Total Stock Index-VTSMX	$ 10,000	39%
Vanguard Large Growth Index-VIGRX	$ 285,000	14%			$ -	0%
	$ -	0%			$ -	0%
Vanguard Small Cap Index-NAESX	$ 160,000	8%			$ -	0%
Vanguard Developed Markets Index-VDMIX	$ 375,000	19%		Vanguard Total International Stock-VGTSX	$ 5,000	19%
Vanguard Emerging Markets Index-VEIEX	$ 75,000	4%			$ -	0%
	$ 1,965,846	100%			$ 25,699	100%

	Bank (MM & CDs)				Cash Reserve Account	
Money Market or Savings Account	$ 80,000	50%		Vanguard Tax Exempt Money Mkt-VMSXX	$ 43,127	25%
Short-term CDs	$ 80,000	50%		Vanguard Short Term Tax Exempt-VWSTX	$ 129,380	75%
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
	$ 160,000	100%			$ 172,507	100%

	Barbara's IRAs				Barbara's Roth IRA	
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
Vanguard Total Bond Index-VBMFX	$ 23,383	39%		Vanguard Total Bond Index-VBMFX	$ 13,320	39%
	$ -	0%			$ -	0%
Vanguard Total Stock Index-VTSMX	$ 19,000	31%		Vanguard Total Stock Index-VTSMX	$ 14,000	41%
	$ -	0%			$ -	0%
	$ -	0%			$ -	0%
Vanguard Small Cap Index-NAESX	$ 5,000	8%			$ -	0%
Vanguard Total International Stock-VGTSX	$ 13,000	22%		Vanguard Total International Stock-VGTSX	$ 7,000	20%
	$ -	0%			$ -	0%
	$ 60,383	100%			$ 34,320	100%

For Long Term Care Insurance Quotes:

The firm whose website is shown below is a resource partner of either the National Association of Personal Financial Advisors (NAPFA) or the Garrett Planning Network. Both are networks of fee only financial planners.

It is recommended that you log on and complete the online quote request form.

MAGA, Ltd.

http://www.magaltc.com/index.htm

Phone: (800) 533-6242

Professional Resources

Note: Keffer Financial Planning does not receive and does not pay compensation with respect to any of these professional services firms or individuals. We have met with each of them and believe them to be established and competent in their particular areas of expertise. However, this information is offered as a convenience. It is not a guarantee of the quality of the experience you may have.

Each of the professional resources listed has been made aware that we are providing their contact information to clients. If you call, please mention our relationship. Also, be prepared with the specific details on the matter with which you seek assistance. Have a copy of this Plan handy and, by all means, feel free to suggest that they call us if there are any questions pertaining to your Plan. Simple explanations and or clarifications with respect to your Plan will be provided as a matter of professional courtesy, without additional expense to you. If extensive consultation is required, we will call you to discuss the nature and costs of any such consultation.

Professional Services	**Name**	**Location**	**Telephone**
Attorney- Estate Planning	Natalia Kabbe	Naperville	888-909-1414
	David F. Rolewick	Wheaton	630-653-1650
	Nicholas Bathas	Naperville	630-778-9939
	Thomas J. Homer	Naperville	630-428-3311
	Bret Dale	Wheaton	630-221-1755
	William J. Fenili	Wheaton	630-668-8882
	Cynthia Hayes Hutchins	Wheaton	630-510-0600
	Law Offices of William Deitch	Wheaton	630-871-8778
	Robert Borla	Downers Grove	630-969-3903
	Elizabeth McKillip	Lisle	630-955-6597
	William J. Dennis	Oakbrook Terrace	630-613-7700
Attorney- Family Law	Raiford D. Palmer	Downers Grove	630-434-0400
	Margaret A. Zuleger	Schaumburg	847-894-2151
	Brian Garvey	Naperville	630-369-2102
Attorney- Elder Law	Peggy Pratscher	Wheaton	630-653-7507
	Janet Sullivan	Wheaton	630-547-7982

	Eileen Fitzgerald	Downers Grove	630-493-4380
Attorney- Corporate	Daniel G. Coman	Lisle	630-946-1660
	Sheryl Jaffee Halpern	Chicago	312-551-8300
Tax Advisor	Joe McCarthy, CPA	Wheaton	630-682-0104
	Jim Whitlock	Wheaton	630-221-8022
	Ron Dell	Wheaton	630-653-3430
Counselor	Claudia Mellott	Downers Grove	630-663-0793
	Tammy Danielle	Naperville	630-718-1570