

Wealth Strategies



Probability of Success™

For

Jack Crawford

and

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Presented by:

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For Evaluation Purposes Only

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Important Notes

The purpose of this report is to help you answer the following four questions about your current financial arrangements: (1) What is your current financial situation? (2) Where are your financial plans headed? (3) What values should you expect and within what range? And (4) How likely are you to reach these results and goals? No plan can accurately predict the future! This report analyzes the effects of various economic conditions, measures the likelihood of many uncertainties such as death, disability, or inheritances, and determines the effect of these events on your cash flow. By using a significant number of trial simulations and proper statistical practices, expected values can be estimated with a stated relative error. This report illustrates hypothetical cash flow, its effects on your net worth, and of settling your estate as it is currently arranged.

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

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

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

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

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

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

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

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Proposed Plan



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Strategies for Financial Success

Uncertainties within Strategies



By agreeing to this hypothetical scenario, you have taken a major step in consolidating your strategies into one strategy that is focused on achieving your objectives. However, preparing is no guarantee that your strategy will be successful.

Hypothetical Scenario

This financial analysis was designed with every attempt to achieve your goals. Historical data was used to make the best assumptions for your future. Your risk tolerances were considered in choosing any investments. A great deal of time was spent considering what you want to happen at your death or death of your spouse. This analysis considers your personal needs as well as the needs of each family member. Using all of these considerations, this hypothetical scenario will help you achieve your goals. But what could cause this strategy to fail?

Life's Uncertainties

Events that are outside of your control can greatly affect your strategy. Events such as accidents or economic conditions are just two examples of events outside of your control. The probability of success of this strategy has taken many of life's uncertainties into account. Simulations of how this strategy would work if these uncertainties occurred were analyzed. Preparation does not prevent uncertainties, but preparation with these uncertainties in mind can greatly increase the likelihood of your strategy's success.

Life's Uncertainties Considered

Effects of Possible Events on Your Strategy

There are a number of factors that you cannot directly control—the economy, your health and even your death—yet these uncertainties may prevent the success of your strategy.

Economic Conditions

Although historical averages of investment yields can be good indicators of a strategy's success over time and represent many years, some years will be better and some years will not be as good. Will your strategy still work if several bad years are experienced early? What if several bad years precede your expected retirement? Could your strategy succeed if several bad years occurred during your retirement? Is your strategy likely to be successful regardless of the changes and uncertainties of the economic conditions?

Disabilities

Your health and your ability to earn an income are key elements of a financial strategy. The effects of a disability on your strategy depend on expected income, when a health problem prevents you from working, the duration of health problems, and the expenses associated with any disability. Although disability is an uncertainty that can prevent the success of your strategy, many studies and statistics can help predict the probability of a disability. Morbidity tables contain studies of these uncertainties.

Untimely Deaths

The uncertainty of death must be considered within any analysis. What would be the effects of your death or the death of your spouse on your strategy? Does your wealth preservation strategy work? Does your strategy work regardless of when untimely deaths occur? Mortality tables provide information about the likelihood of death.

Long-Term Care Costs

Long-term care costs are one of the fastest growing potential consumers of your retirement savings. Long-term care costs include home health care costs and nursing home costs. These costs have been outpacing inflation over the past several years and are forecasted to continue for the foreseeable future. The potential for long-term care costs to greatly impact your future cash flow cannot be ignored. Special tables quantifying the potential for long-term care costs have been compiled for this analysis.

Inheritances

Estimates¹ show that 10 trillion dollars may be inherited by the *baby boomers*. The uncertainty of if and when the money will be inherited makes the analysis difficult, yet it may be too important not to consider.

¹ "Make Your Inheritance Work," CNN Financial Network, Jeanne Sahadi, July 7, 2000

Your Proposed Analysis

Recommendatons Based on Proposed

The purpose of this analysis is to help you prepare by showing alternative arrangements from your current situation. It answers these questions about your proposed financial arrangements:

- 1. What changes should be made now?**
- 2. Where will these changes take you?**
- 3. What values should you expect and within what range?**
- 4. How likely are you to reach these results and goals?**

Simulations

No analysis can accurately predict the future! How will the stock market perform? What will happen to your investments? Will they perform as they have in the past? How will your strategy perform in various economic conditions? This hypothetical scenario analyzes the effects of various and changing economic conditions. In addition to the uncertainties of the economy, your hypothetical scenario measures the liklehood of many uncertainties such as death, disability, or inheritances, and determines the effect of these events on cash flow. By using 1000 simulations and proper statistical practices, the expected future values and the range and likelihood of achieving those values can be determined.

Information Used

All hypothetical sceanario changes have been incorporated into each simulation in this analysis. The Assumptions secton shows all assets, liabilities, income items and expenses in detail. New techniques such as trusts or life insurance ploicies are also detailed. Additional Details section at the end of this presentation includes proposed will provisions and other information used throughout this presentation.

Financial Resources

A Balance Sheet View—Hypothetical Scenario

Assumptions, including any immediate changes proposed, for an analysis for **Jack**, age 57, and **Diane**, age 60.

	Jack	Diane	Joint	Total
Assets¹				
Liquid Assets				
Checking (Cash Account)			\$5,000	\$5,000
Savings Account			\$45,000	\$45,000
Various Stocks	\$300,000			\$300,000
Mutual Funds	\$100,000			\$100,000
Retirement Plans				
Jack's Retirement Plan	\$367,000			\$367,000
Diane's IRA		\$300,000		\$300,000
Fixed Assets				
Real Estate		\$500,000		\$500,000
J. & R. Web Designs, Inc.	\$2,000,000			\$2,000,000
Personal Properties		\$200,000		\$200,000
Residence				
123 Main Street			\$650,000	\$650,000
Total Assets Today	\$2,767,000	\$1,000,000	\$700,000	\$4,467,000
Liabilities¹				
Mortgages				
Loan for 123 Main Street			\$250,000	\$250,000
Credit Cards				
Visa			\$2,000	\$2,000
Total Liabilities Today			\$252,000	\$252,000
Net Worth				
			Your Assets	\$4,467,000
			Less Your Liabilities	\$252,000
			Total Net Worth Today	\$4,215,000

¹ Details are included in the Assumptions pages in the Supporting Details section of this analysis.

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Expected Future Values

Simulations of Uncertainties for Hypothetical Scenario

Results of 1000 Simulations for 20 Years¹

What values can you reasonably expect from your hypothetical scenario? Through the use of multiple simulations considering the possibility of many uncertainties and their effect on your cash flow, it is possible to determine the potential range of expected values.

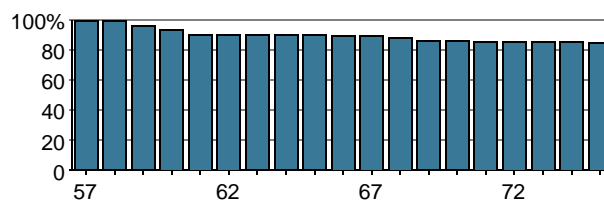
Provide Cash Flow for Desired Lifestyle

Lifestyle success means paying all living expenses with only the assets you have designated for those expenses.

The percentage of successful simulations through each age is a good indication at what age it may be necessary for you to reconsider using your available assets to maintain your cash flow lifestyle.

Lifestyle Success 85%

Successful Simulations through Age



Cumulative Successes Based on 1000 Simulations

Cash flow for desired lifestyle indicates if and when you need to make changes to continue your desired spending. Your net worth indicates whether you have the resources for those changes.

Your Net Worth

Your net worth is the value of all assets less liabilities and any shortfalls. (Shortfalls are amounts needed for cash flow lifestyle, but not available from designated assets.)

A net worth of zero means *you have run out of money!*

The Average Result of \$13,422,221 has a relative error of 4.63%.

Highest Simulation ²	\$52,930,461
High Expected ³	\$8,004,429
Average Result⁴	\$13,422,221
Low Expected ³	\$8,004,429
Lowest Simulation ²	\$1,943,007

Your Net to Heirs

Net to heirs is the total lifetime transfers plus the net amount after all taxes and other transfer costs at your and your spouse's deaths. Success is measured by your desired goal.⁵

Net to Heirs 99%⁶

¹ Target year equals the earlier of 20 years or after both Jack and Diane have died.

² The highest and lowest values each represent one out of 1000 results and indicate an extreme range of possible results.

³ Actual results may be higher or lower.

⁴ For the 1000 simulations, 70% of the results were between the High Expected value and the Low Expected value. 85% of all results were above the Low Expected value.

⁵ The Average Result is an estimate of the expected value based on 1000 simulations.

⁶ The probability of death in each simulation is limited based on mortality tables, therefore the limited number of simulations with the heirs inheriting may greatly increase the relative error in this estimate.

⁷ A probability greater than 99% is unlikely to occur.

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Measuring Success

Will you run out of money?

Success is really the achievement of a number of financial goals and projected expenditures. When these objectives and expenditures are combined with your basic expenses they may be referred to as lifestyle living expenses. When all of these expenses are successfully met it implies that your cash flow was sufficient to maintain your desired lifestyle. No strategy is successful if you cannot maintain your desired lifestyle.

Your Cash Flow



Primary Objective

Success means providing for all of your living expenses without running out of money. Your strategy is considered to have failed if the assets you have designated for your lifestyle needs are not sufficient to maintain your desired cash flow.

Your Net Worth



Additional Objective while Living

Your net worth is measured by the value of your assets less any liabilities. Net worth indicates the resources available to make any needed adjustments in cash flow. A net worth of zero means you have no resources remaining—you have run out of money! Your objective is to maintain current net worth of \$4,215,000.

Your Net to Heirs



Additional Objective at Death

The distribution to your heirs after both of your deaths, measures the value of all lifetime transfers, plus the net amounts available to your heirs after your death. Your goal is to provide at least \$2,000,000.

Evaluating Success

1000 Simulations of Your Analysis

A simulation considers the probability of many uncertain events each year, and assumes that some of these events happen in proportion to their likelihood. Comparing the results of many such simulations shows the probability of your strategy's success and its sensitivity to the uncertain events.

Target Year is 20

Simulations run to the earlier of the target year, or to the surviving spouse's death.

Conflicting Objectives

Some objectives often conflict with one another—increasing one may reduce another. For example, large gifts may increase your net to heirs but reduce your net worth.

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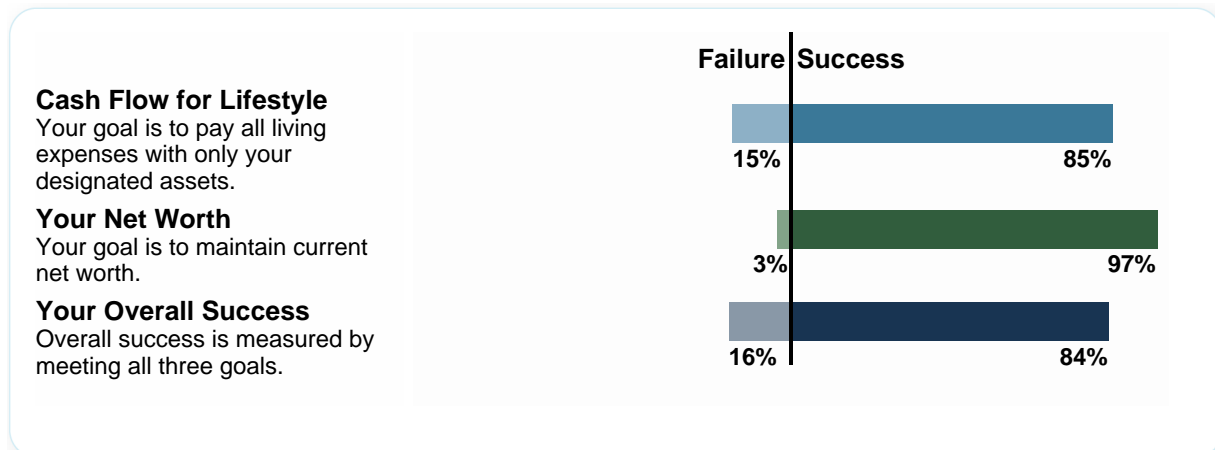
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Probability of Success™

Your Hypothetical Scenario

Results of 1000 Simulations for 20 Years¹



As with any strategy, you must consider its effects on your wealth (net worth), on your cash flow and standard of living (living expenses), and on what's left for your family (net to heirs). This graph shows the potential of meeting each of your goals based on the 1000 simulations examined. Your overall success considers the potential of a simulation meeting all three goals.

¹ Target year equals the earlier of 20 years or after both Jack and Diane have died. Any trial resulting in the sale of protected assets for cash flow purposes counts as a failure.

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Your Cash Flow



Cash Flow Analysis

- Illustrates your wealth management
- Examines incoming cash, outgoing cash and what happens to the difference

Nature of Cash Flow

- Outgoing cash is not "tied" directly to incoming cash
- Incoming cash goes into your bank or cash account
- Outgoing cash comes from that account
- You do not know which incoming dollars pay which outgoing dollars
- When outgoing cash is greater, you take from other assets
- When incoming cash is greater, you increase your assets or cash account.

Your Cash Flow Needs

Your Hypothetical Scenario

Your Cash Flow



Living expenses are your projected expenses including your financial goals.

To determine the success of your desired lifestyle, cash flow is examined:

- Will you run out of money?
- Will it be necessary to sell a designated asset?

Desired Lifestyle Achieved with Living Expenses

Your desired lifestyle living expenses are really a collection of many financial goals and projected expenses. Your desired lifestyle is to successfully meet these financial goals. The analysis of your current situation assumes that these expenses must be met each year to be considered successful. In addition, you often have assets that you would not sell or use for living expenses, such as your personal residence. Simulations that sell assets designated as unavailable for living expenses will be considered a lifestyle failure.

Projected Living Expenses

The analysis makes adjustments in each simulation as necessary to meet your living expenses but never changes or reduces your living expenses or lifestyle. Each simulation assumes that meeting your desired expenses is your first priority. Each simulation uses this cash flow approach to prevent you from running out of money. Your projected lifestyle living expenses can range from compulsory to necessary to discretionary. The assumptions at the end of this analysis list these expenditures in greater detail.

Essential Living expenses:

Joint General Living Expenses
Church

Miscellaneous Deductible Expenses

Education expenses:

The University of North Carolina at Chapel Hill

Mortgage expenses:

Loan for 123 Main Street

Other loans:

Visa

Qualified retirement plan contributions:

Jack's Retirement Plan

Diane's IRA

Taxes:

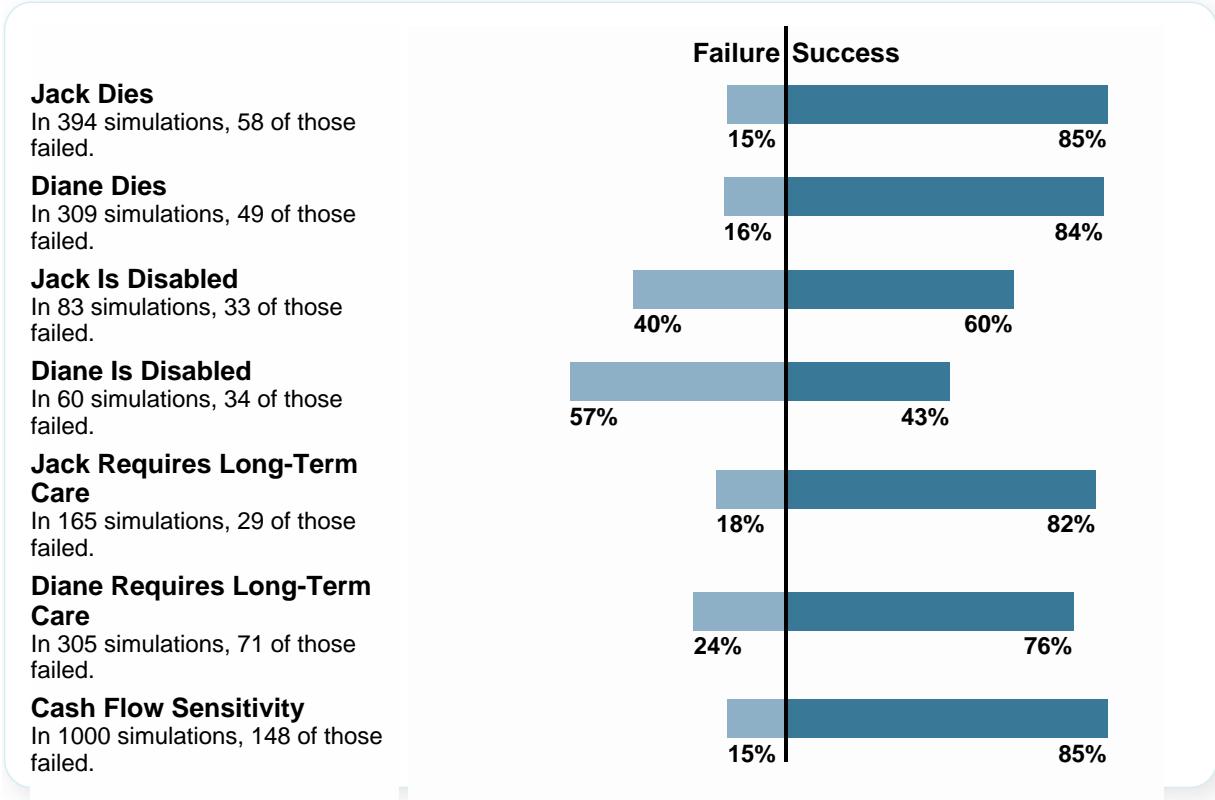
Income Tax

FICA

Standard of Living Sensitivity

Your Hypothetical Scenario

Results of 1000 Simulations for 20 Years¹
 Your objective is to pay all living expenses.



Successfully maintaining your living expenses allows you to maintain your standard of living and lifestyle. All of your goals depend on this objective being met. Particular emphasis should be placed on any event that has a high likelihood of affecting your success in meeting living expenses.

¹ Target year equals the earlier of 20 years or after both Jack and Diane have died.

Your Net Worth



Financial Resources

- Net worth
- Values for prior proposals such as trusts
- Values at death

Net Worth

- Assets less liabilities
- Accumulation of your wealth at a specific time

Net Worth as Cash Flow Resource

- Net worth measures wealth and resources available to supplement your lifestyle cash flow
- Financial success and failures usually refer to being able to meet all of your cash flow needs without using any restricted assets—assets you don't want to use or want to use for another specific purpose
- A strategy may be considered a failure, even though there may be a substantial net worth
- Zero net worth means you have used your financial resources—you have run out of money!

How Net Worth Grows

- Unspent income—income not spent or given away—becomes new assets or cash savings
- Qualified retirement plans increase with contributions, growth and earnings, but have special income tax issues to consider
- Other assets appreciate and have earnings
- Reducing liabilities increases your net worth

Your Net Worth Sensitivity

Your Hypothetical Scenario

Your Net Worth



Your net worth is the value of your assets reduced by your liabilities.

Effects on your net worth:

- Change in the value of assets
- Effects on your qualified plans
- Mortgage balances and other debts

Where is Your Financial Strategy Headed?

Net worth is a measurement of your financial strategy at different points in time. It is one of the most common methods for analyzing a financial strategy during your lifetime. Net worth is what is left after all the other financial transactions are taken into account.

Net Worth Purpose

Net worth measures your ability to adjust to cash flow needs for your desired lifestyle. The impact of any cash flow failure is determined by the availability of other financial resources—net worth. Having assets available that you do not want to use is completely different from not having assets available.

Reacts to Cash Flow

Net worth varies directly with your cash flow. When incoming cash exceeds outgoing cash, your net worth increases. When outgoing cash exceeds your incoming cash, you must use some of your assets, which reduces your net worth. Items that affect cash flow will affect your net worth.

Living Expenses Met First

Each simulation assumes that you want to maintain your desired lifestyle—in other words, meet your living expenses each year. Therefore, if cash flow is not sufficient to pay lifestyle living expenses, assets are sold or used according to your specified priorities.

Priorities for Assets

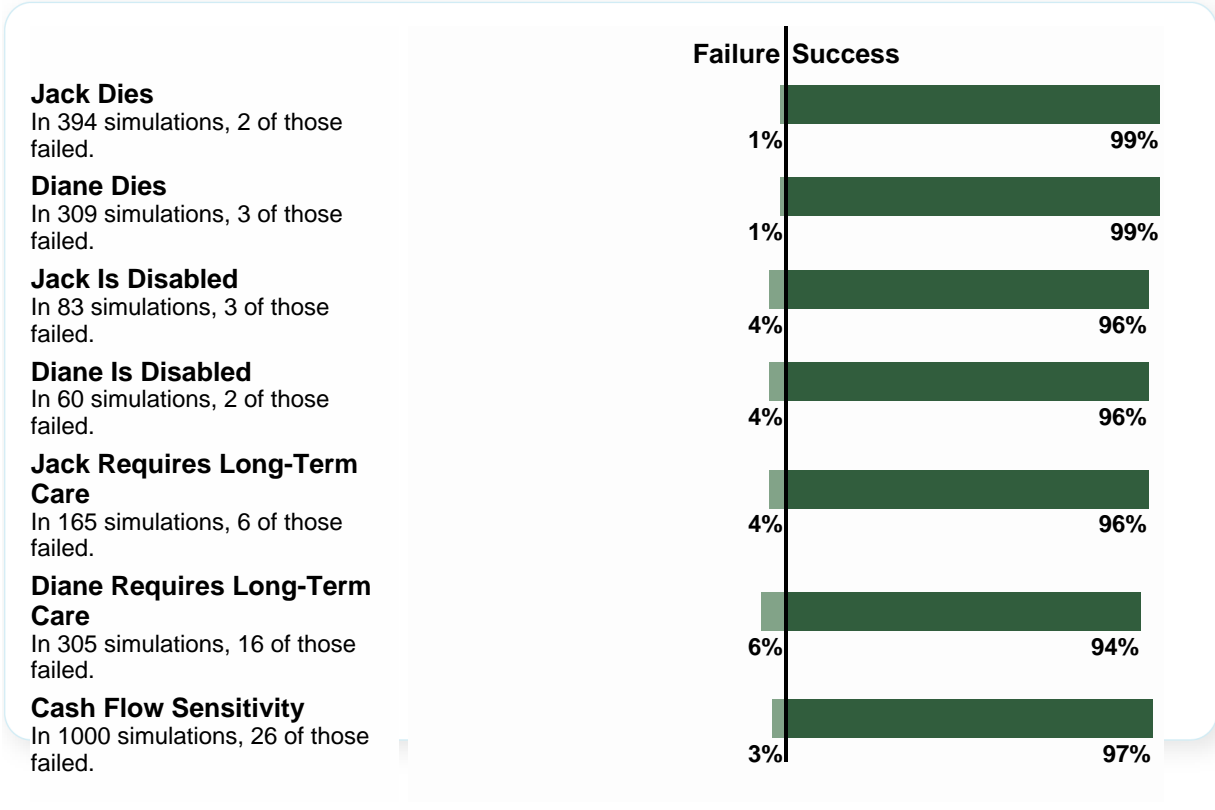
Your basic strategy specifies the priority that you would use to sell assets to satisfy cash flow needs and for what needs each asset is designated. Each simulation may or may not need to use this priority list; however, the order of the priority list remains the same for each simulation. The needs in each simulation may not be the same based on uncertainties such as premature death, disability, or long-term care so some assets may be used in some simulations and not used in other simulations. Changes in the priority or designated use of assets may make a significant difference in how your strategy adjusts to various events.

Net Worth Sensitivity

Your Hypothetical Scenario

Results of 1000 Simulations for 20 Years¹

Your objective is to maintain current net worth of \$4,215,000.



The Average Result of 1000 simulations of \$13,422,221 has a relative error of 4.63%.

Major events in your life will determine the success of your strategy. This table shows the effects on your net worth for each of these likely events. The number of simulations is an indication of the potential of each event.

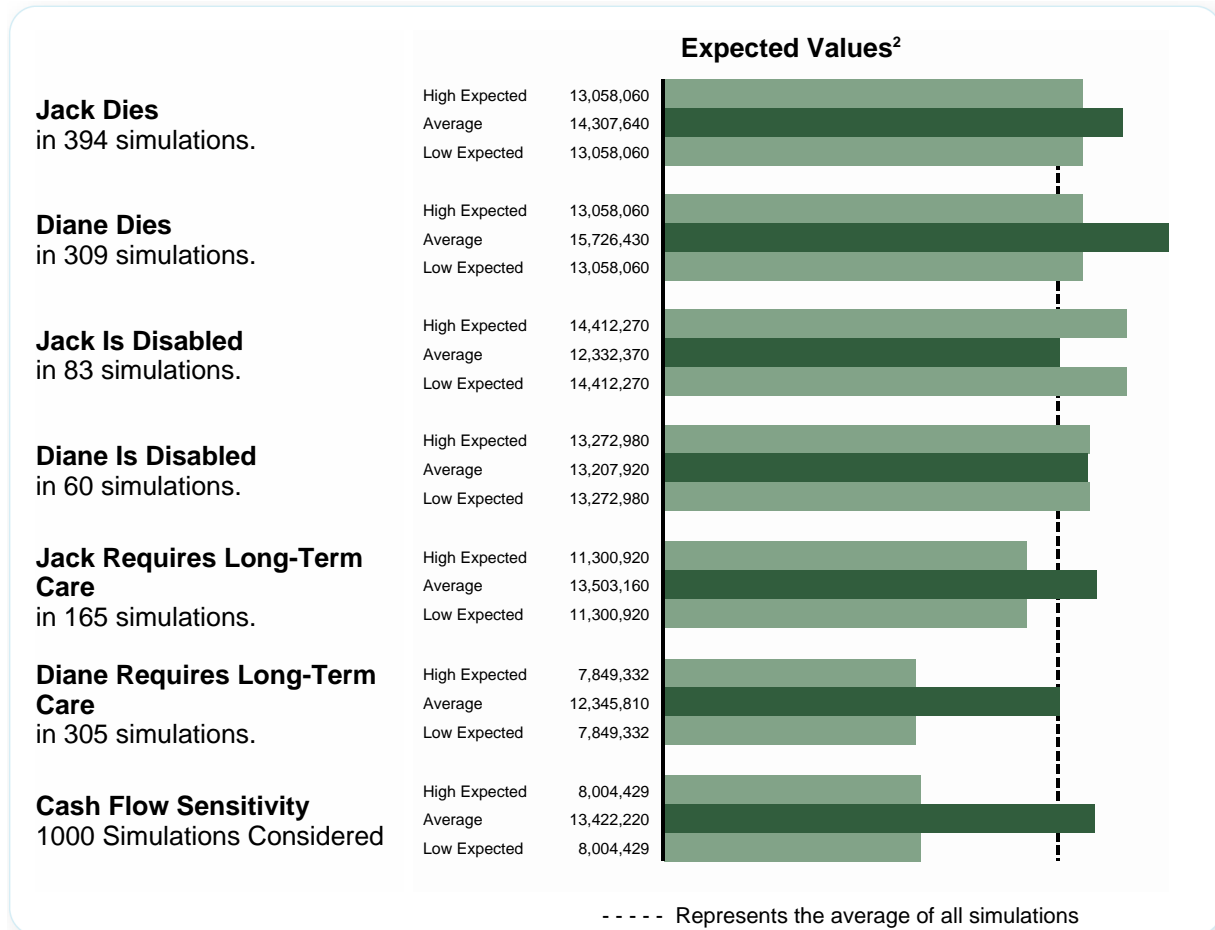
¹ Target year equals the earlier of 20 years or after both Jack and Diane have died.

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Net Worth Sensitivities

Expected Values by Event for Hypothetical Scenario

Results of 1000 Simulations for 20 Years¹
All Simulations Considered



The relative error of the Average for each event depends on the number of simulations resulting in that event—more simulations will lower the relative error.

¹ Target year equals the earlier of 20 years or after both Jack and Diane have died.

² The Average Result is an estimate of the expected value based on 1000 simulations.

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Your Net to Heirs



Wealth Transfer

- Examines your gifts and bequests to others
- Considers the taxation of any transfers

Qualified Retirement Plans

- Special taxation issues and rules must be considered
- Even if you don't spend these funds, your heirs may receive only a small portion of it

Net to Heirs Measured

- Value at the later death of Jack and Diane
- Value after estate settlement plus the value of gifts and other lifetime transfers at that time

Your Net to Heirs Sensitivity

Your Hypothetical Scenario

Your Net to Heirs



Your heirs receive gifts during your lifetime and the balance of your estate, after taxes, at your death.

Your net to heirs:

- Effects of gifts
- Bequests at death
- Transfer costs at death and how will they be paid?

Living Expenses Met First

Since assets are used as needed to maintain lifestyle living expenses, the net distribution to heirs is also affected. Other than lifetime gifts and other prearrangements, such as trusts or life insurance, the net to heirs is based on your assets as measured by net worth less all transfer costs, such as estate taxes and probate fees. If living expenses goals fail, almost all other goals also fail.

Priorities for Assets

The priority list not only determines which assets are sold or used for needed cash flow and for what purpose, but it also determines which assets are preserved for distribution to your heirs.

Affected by Major Life Events

Net to heirs is really a kind of final accounting of your financial analysis—it is what is left for your heirs. It will always reflect the effects of major life events. Examining your current situation to determine which events are the most sensitive can help you plan better.

Planning Has Most Impact

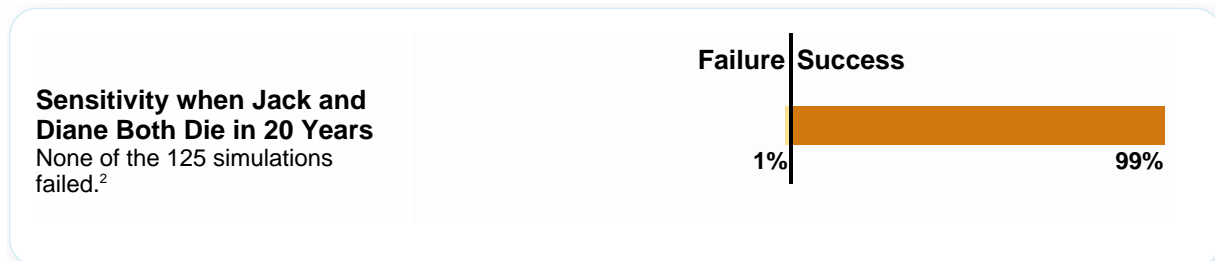
Planning can have the greatest impact on the net distribution to your heirs. Likewise, the lack of planning can have a great impact. There are numerous planning techniques to assist in these plans. By determining the events that are most likely to affect the net to heirs, you can plan accordingly.

Your goals for Net to Heirs are important, not because a premature death is likely to occur, but because of the consequences when it does occur!

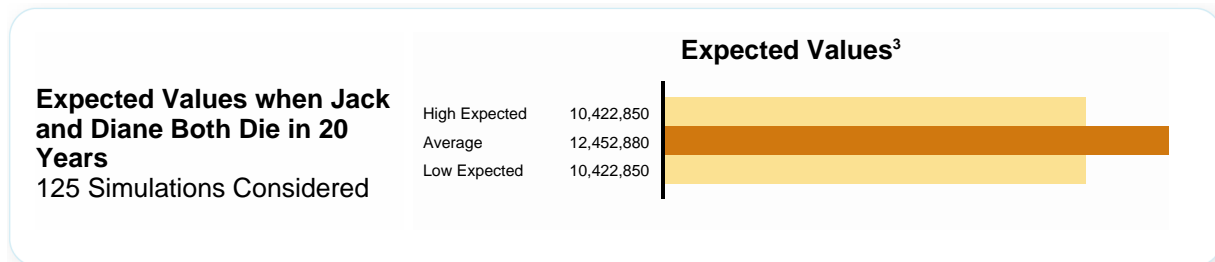
Net to Heirs Sensitivity

Your Hypothetical Scenario

In 1000 Simulations for 20 Years,¹ Both of You Died in 125 Simulations
Your Objective: Leave at Least \$2,000,000 to Your Heirs



Generally, the more simulations considered, the more reliable the results. Because death is less likely at younger ages, the limited results may not be statistically reliable, but are shown to give you an approximation of likely results.



¹ Target year equals the earlier of 20 years or after both Jack and Diane have died. Any trial resulting in the sale of protected assets for cash flow purposes counts as a failure.

² A probability greater than 99% is unlikely to occur.

³ The Average Result is an estimate of the expected value based on 1000 simulations.

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Sensitivity to Death

Your Hypothetical Scenario

Life's Biggest Uncertainty

You can prepare for what you would like to have happen at death, but you cannot predict when death will occur. By calculating hundreds of simulations, death can be assumed in many of the simulations and at various times. Death may be early, later, or about average and your spouse may die first or second. There may be only a few or a great many years between your death and your spouse's death. Will your strategy still work in these cases?

Extensive Studies

Simulations can calculate how your strategy would work in many of these situations. Using the mortality tables, the assumptions will be in proportion to the probability of death each year. These extensive studies make it possible to determine the sensitivity of your strategy to death.

Consideration of Death Strategies

Your analysis is not finished without attention to your will and your estate planning. Your wishes are usually just evaluated in one or two situations. The use of multiple simulations of your strategy lets you see the results of many death scenarios on your analysis.

Survivor's Investment Philosophies

When one spouse dies, the survivor often changes investment philosophy. The surviving spouse may feel that more risk in the hope for higher returns make sense. Other surviving spouses feel that they would be more conservative. Your analysis assumes that if Jack dies first Diane's investment philosophy will stay the same. Your analysis also assumes that if Diane dies first, yields and risk should stay the same. When death is assumed in one of the trials, the investment philosophy of the survivor is changed.

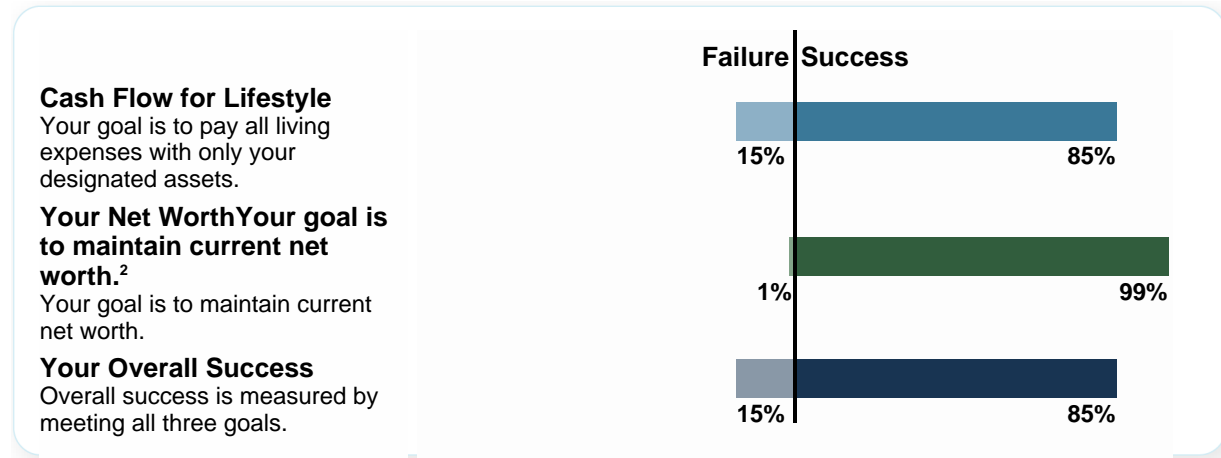
What does the sensitivity mean?

The results of the numerous trials are really a collection of many results. The probability of success for the trials, in which a common event occurred, helps to show the sensitivity of your strategy to that event. A strategy's sensitivity to an individual death may show up as a higher rate of failures in the net worth goal. When this occurs, it is often because there is insufficient liquidity when the client dies first. If the rate of failures appears to be more likely in the net to heirs, it is usually caused by a lack of liquidity at the surviving spouse's death. If all the goals appear sensitive to the client's death, this may mean that some of the goals are not a reasonable expectation based on your assets and hypothetical scenarios.

Sensitivity to Death (Continued)

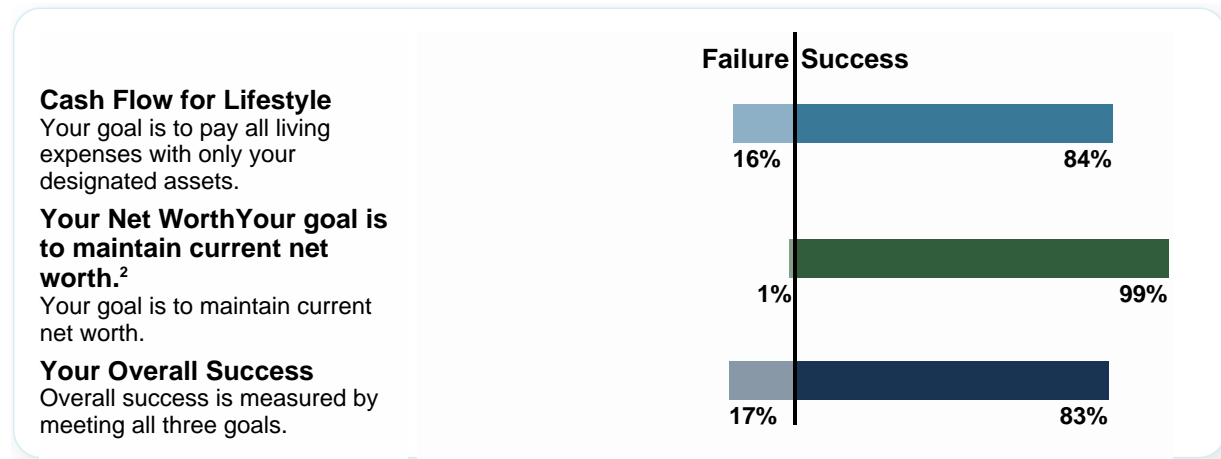
Your Hypothetical Scenario

Sensitivity to Jack's Death Results of 1000 Simulations for 20 Years¹ When Jack Dies Prior to the Target Year



Mortality studies show the probability of Jack dying each year. In this set of simulations, Jack was assumed to die in 394 simulations out of 1000. By evaluating the goals in these 394 simulations, you can see the sensitivity of Jack's death on each measurement of success.

Sensitivity to Diane's Death Results of 1000 Simulations for 20 Years¹ When Diane Dies Prior to the Target Year



¹ Target year equals the earlier of 20 years or after both Jack and Diane have died.

² A probability greater than 99% is unlikely to occur.

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Sensitivity to Death (Continued)

Your Hypothetical Scenario

Mortality studies show the probability of Diane dying each year. In this set of simulations, Diane was assumed to die in 309 simulations out of 1000. By evaluating the goals in these 309 simulations, you can see the sensitivity of Diane's death on each measurement of success.

Sensitivity to Disability

Your Hypothetical Scenario

Long-Term Disability More Likely than Death¹

Many financial plans consider death, the provisions in the will, and the desired estate analysis. However, many plans do not consider the possibility of a long-term disability—even though the probability of a long-term disability may be twice as likely as death. At age 50, a long-term disability caused by either sickness or injury is over two times more likely than death. At age 30, a long-term disability caused by either sickness or injury is over four times more likely than death.

Loss of Income

Regardless of its cause, a disability greatly reduces or eliminates your ability to continue earning an income and has important effects on your analysis. Earned income is often one of the largest sources of cash needed to maintain living expenses. This reduced cash flow may cause assets to be sold or used. Depending on the duration of a disability, it could destroy your analysis.

Additional Expenses

A second effect of a disability to your financial analysis is that there usually are additional expenses—medical expenses and special treatments as well as the need for a caregiver. When a family member is the caregiver, that person's income may be reduced.

A disability is an uncertainty that can cause your analysis to fail

To determine the probability of success for your analysis, the likelihood of a long-term disability occurring in a given year or continuing from a prior year was considered in each simulation. The morbidity tables were used to determine if a disability occurred within a simulation. The tables also determine a likely duration of the disability. A simulation assumes no salary for a person that is disabled,

What does the sensitivity mean?

One of the risks of a disability is that it can reduce or eliminate salaried income. If your analysis is very dependent on salaried income, it will have a lower success rate when disability is assumed. Because it is necessary to maintain your living expenses, cash flow is often essential to your analysis success. A long-term disability during your working years can have a significant impact on your cash flow and thus on all of your goals.

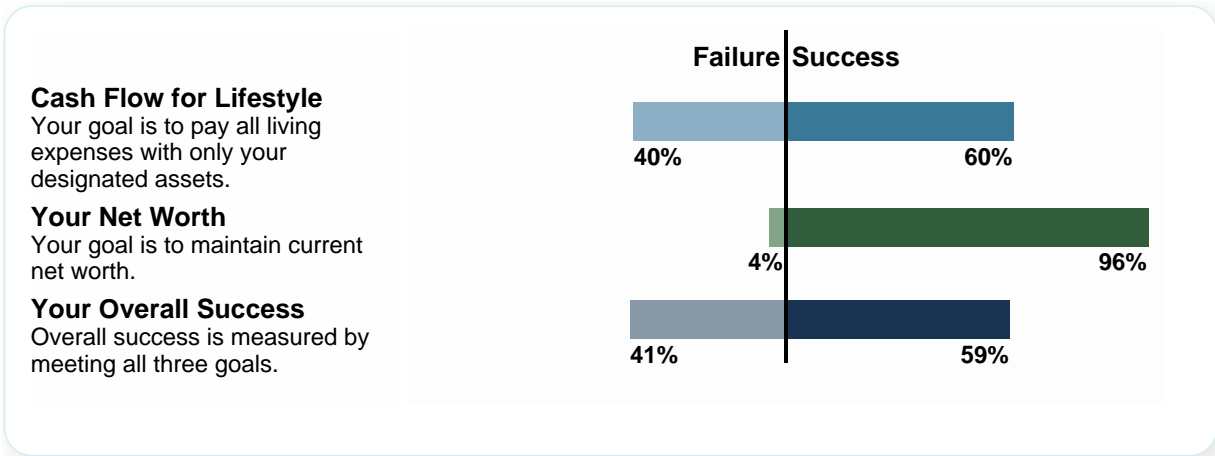
¹ Based on Commissioners Disability Table and Commissioners 1980 Standard Ordinary Mortality Table

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Sensitivity to Disability (Continued)

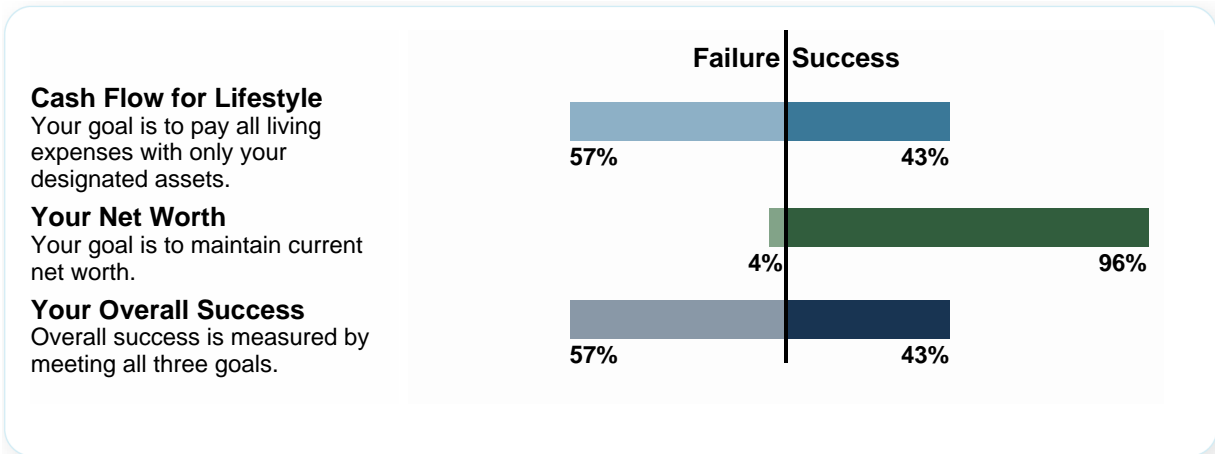
Your Hypothetical Scenario

Sensitivity to Jack's Disability
Results of 1000 Simulations for 20 Years¹
When Jack is Disabled Prior to the Target Year.



Morbidity studies were used to determine the likelihood of a disability as well as the probable duration of the disability. A disability occurred in 83 simulations out of 1000. During the periods of disability no salary was received. This graph shows the sensitivity of each goal to Jack's disability.

Sensitivity to Diane's Disability
Results of 1000 Simulations for 20 Years¹
When Diane is Disabled Prior to the Target Year.



Morbidity studies were used to determine the likelihood of a disability as well as the probable duration of the disability. A disability occurred in 60 simulations out of 1000. During the periods of disability no salary was received. This graph shows the sensitivity of each goal to Diane's disability.

¹ Target year equals the earlier of 20 years or after both Jack and Diane have died.

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Sensitivity to Long-Term Care

Your Hypothetical Scenario

The Likelihood of Long-Term Care

Preparing for long-term care means thinking ahead and being prepared for the consequences of needing long-term care. But how likely are you to experience a long-term care need? Well, it depends on how long you live. 40% of Americans age 65 or older will require some long-term care needs this year. And if you live even longer, the odds go up. 90% of Americans age 80 or older will require some long-term care needs this year.

Long-Term Care Costs

Long-term care is expensive—and it is getting worse. In 2005, the AARP said that the average cost of a nursing home stay in the US was around \$55,000 per year and almost twice that—\$100,000 annually—in some urban areas. And costs continue to skyrocket. The national annual inflation rate for long-term care costs is 8.2% compared to a traditional average inflation rate around 3%.

Paying for Long-Term Care

Many people think Medicaid and Medicare will be available to pay long-term care costs when you get old. Unfortunately, these government programs typically do not pay until after you have depleted your own personal assets. Many times, people are forced to sacrifice monies saved for retirement to pay long-term care costs, thus affecting their retirement lifestyle.

Long-term care is an uncertainty that can cause your analysis to fail

To determine the probability of success for your analysis, the likelihood of a long-term care need occurring in a given year or continuing from a prior year was considered in each simulation. Special tables comprised by Milliman, USA were used to determine if a long-term care need occurred within a simulation. The tables also determine a likely duration of the disability.

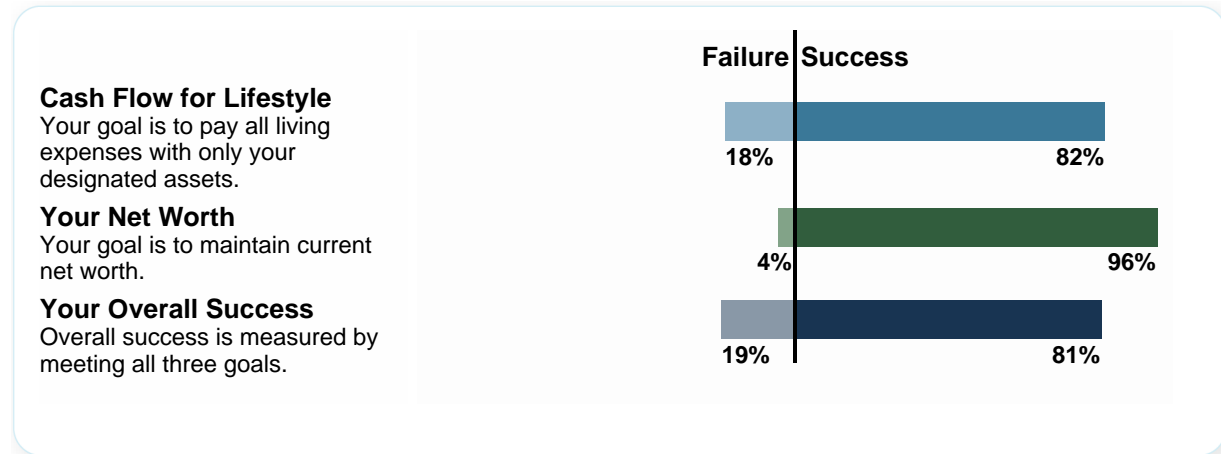
Sensitivity to Long-Term Care (Continued)

Your Hypothetical Scenario

Sensitivity to Jack's LTC Need

Results of 1000 Simulations for 20 Years¹

When Jack Needs Long-Term Care Prior to the Target Year.



Special long-term care tables created by Milliman, USA were used to determine the likelihood of a long-term care need as well as the probable duration of the need. A long-term care need occurred in 165 simulations out of 1000 simulations. This graph shows the sensitivity of each goal to a long-term care need for Jack.

¹ Target year equals the earlier of 20 years or after both Jack and Diane have died.

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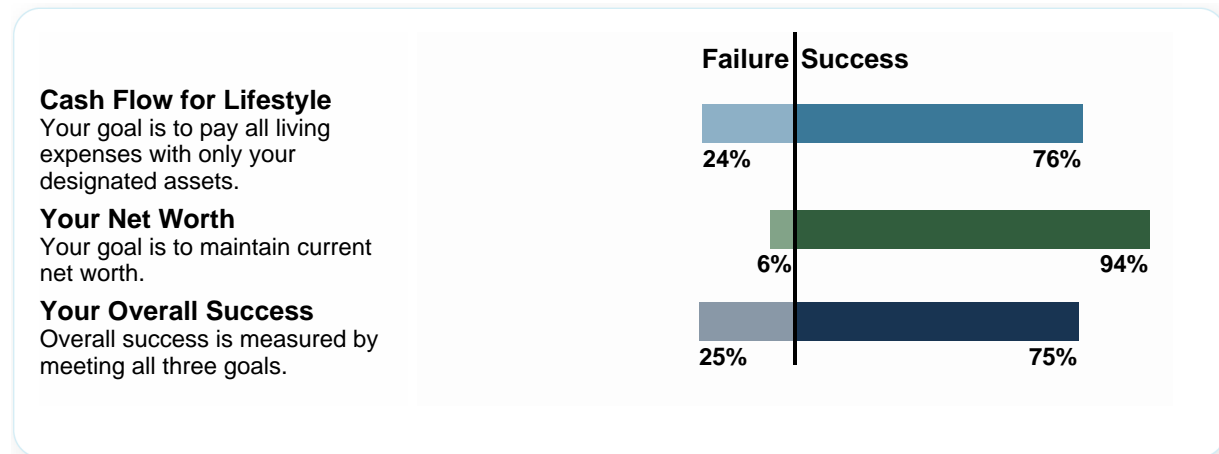
Sensitivity to Long-Term Care (Continued)

Your Hypothetical Scenario

Sensitivity to Diane's LTC Need

Results of 1000 Simulations for 20 Years¹

When Diane Needs Long-Term Care Prior to the Target Year.



Special long-term care tables created by Milliman, USA were used to determine the likelihood of a long-term care need as well as the probable duration of the need. A long-term care need occurred in 305 simulations out of 1000 simulations. This graph shows the sensitivity of each goal to a long-term care need for Diane.

¹ Target year equals the earlier of 20 years or after both Jack and Diane have died.

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Assumptions

Proposed Plan

Jack Crawford

Age: 57 **Male Born:** Dec. 02, 1952

Email Address: name@provider.com

Do not use Email for Notifications

Jack and Diane are married.

Home Phone: 704 549 5555

Business Phone: 704 927 5555

Fax: 704 549 5700

Mailing Address

123 Main Street
Hillsville, NC, 28262

Diane Crawford

Age: 60 **Female Born:** Nov. 30, 1949

Email Address: name@provider.com

Do not use Email for Notifications

Children and Dependents

Name	Date of Birth	Gender	Relationship	Dependent of
Jack Junior	Nov. 01, 1972	Male	Child	Diane, Jack
Missy	Oct. 09, 1974	Female	Child	Diane, Jack
Trip	Apr. 09, 2002	Male	Grandchild	Diane, Jack

Salaries

Employer	Employee	Current Salary	Frequency	Inflation Rate
J. & R. Web Designs, Inc.	Jack	\$16,667	Monthly	3.000%
Crawford's Accounting	Diane	\$25,000	Monthly	3.000%

Checking, Savings, CDs

Account Name	Owner	Current Balance	Balance As Of	Interest Rate
Checking (Cash Account)	Diane, Jack	\$5,000	Jul. 26, 2010	0.000%
Savings Account	Diane, Jack	\$45,000	Jul. 26, 2010	3.000%

This asset is the Cash Account

Mutual Funds

Name/ Symbol	Owner	Account Balance	Balance As Of	Basis	Rates		
					Qual. Div.	Cap. Gains	App.
Mutual Funds	Jack	\$100,000	Jul. 26, 2010	\$100,000	0.000% ¹	0.000% ¹	6.000%

Stocks

Name/ Symbol	Owner	Current Value	Balance As Of	Basis	Rates	
					Div. Rate	App. Rate
Various Stocks	Jack	\$300,000	Jul. 26, 2010	\$300,000	0.000% ¹	7.000%

¹ Dividends are assumed to be reinvested in similar investments.

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Assumptions (Continued)

Proposed Plan

Retirement Plans¹

Name	Owner	Current Balance	Balance As Of	Growth Rate	Owner Contrib.	Employer Contrib.
Jack's Retirement Plan	Jack	\$367,000	Jul. 26, 2010	6.000%	10.000%	3.000%

IRAs

Name	Owner	Current Balance	Balance As Of	Growth Rate	Type
Diane's IRA	Diane	\$300,000	Jul. 26, 2010	6.000%	Deductible

Business Property

J. & R. Web Designs, Inc.

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate		
Jack	\$2,000,000	Jul. 26, 2010	\$0	12.000%		
Business Form	% of Total Bus. Value	Income	Income Frequency	Monthly Expenses	Annual Expenses	Inflation Rate
Private Corporation	100%	n/a	n/a	n/a	n/a	n/a

Other Real Estate

Real Estate

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate		
Diane	\$500,000	Jul. 26, 2010	\$500,000	8.000%		
Rental Income	Frequency	Monthly Expenses	Annual Expenses	Rental Inflation		
n/a	n/a	n/a	n/a	n/a		

Residences

123 Main Street

Owner	Current Value	Balance As Of	Cost Basis	Appreciation Rate
Diane, Jack	\$650,000	Jul. 26, 2010	\$650,000	4.000%

Personal Loan Secured by this Asset

Balance as of	Mortgage Balance	Payment	Frequency	Interest Rate
Jul. 26, 2010	\$250,000	\$5,000	Monthly	5.000%

Personal Property

Name	Owner	Current Value	Value As Of	Basis	Growth Rate
Personal Properties	Diane	\$200,000	Jul. 26, 2010	\$200,000	0.000%

¹ There are no Required Minimum Distributions from Qualified Plans for 2009 only.

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Assumptions (Continued)

Proposed Plan

Life Insurance-Individual

Name	Insured	Owner	Beneficiary	Face Amount	Premium	Frequency	Cash Value
Variable UL	Jack	Jack	Diane	\$1,500,000	\$1,000	Monthly	\$0
Variable UL	Diane	Diane	Jack	\$1,000,000	\$750	Monthly	\$0
New Survivor Policy	Survivor	ILIT	ILIT	\$6,000,000	\$3,500	Monthly	\$0

Essential Living Expenses

Description	Amount	Frequency	Tax Deductible ¹	Percent Continuing after First Death	Percent Continuing after First Disability	Percent Continuing after First Retirement
Joint General Living Expenses	\$9,000	Monthly	No	90%	100%	90%
Miscellaneous Deductible Expenses	\$1,000	Monthly	Yes	100%	100%	100%
Church	\$2,000	Monthly	Yes	100%	100%	100%

Education Expenses

Description	Amount	Frequency	Percent of Estimated Aid
The University of North Carolina at Chapel Hill	\$14,036	Annual	10%

Debt

Liability Name	Owner	Payment Amount	Frequency	Current Balance	Balance As Of	Interest Rate
Loan for 123 Main Street	Diane, Jack	\$5,000	Monthly	\$250,000	Jul. 26, 2010	5.000%
Visa	Diane, Jack	\$2,000	Monthly	\$2,000	Jul. 27, 2010	12.000%

Future Purchase

Description	Future Owners	Anticipated Cost	Inflation	Start
Beach House	Diane, Jack	\$650,000	3.000%	Starting when Jack turns 70

Reposition Assets

Description	From	To	Frequency	Amount	Apply Inflation
Sell Business at Age 70 <i>Starting when Jack turns 70.</i>	J. & R. Web Designs, Inc.	Mutual Funds	n/a	n/a	n/a

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

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Probability of Success™ Comparison



Desired Lifestyle

Can cash flow and your resources provide for desired lifestyle spending?

Cash Flow Success

Cash flow indicates if, or when, you may need to use other resources to provide desired spending.

Will other resources be needed?

Net Worth – Value of Your Other Resources

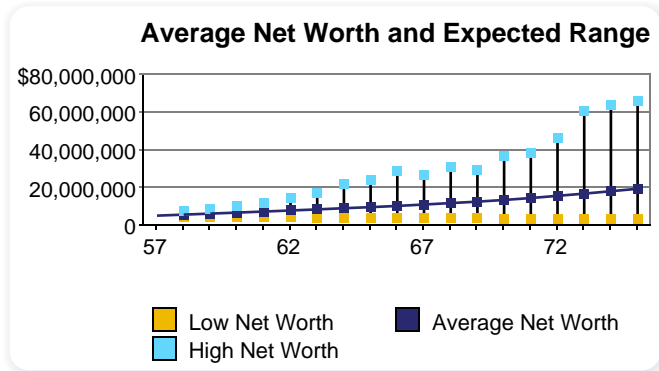
Probable net worth over time indicates if the resources necessary will likely be available.

Probability of Success™

Your Current Situation

Running Out of Money

It is common to fear running out of money and depleting your assets during retirement. If that were to happen, your net worth would become zero. The average net worth of all simulations can be an indicator of the probability of that occurring. The expected range shows the result of 70% of the simulations.



Relative Error

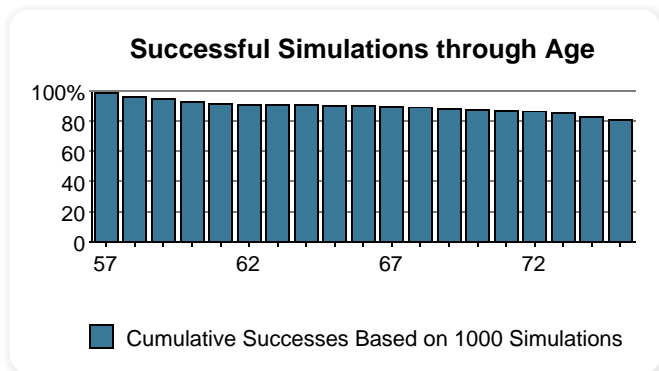
Supported by standard statistical theory, the relative error indicates a probability of greater than 99% that these values represent the true average result. Results cannot be guaranteed but are statistical measures applied to the results of a large number of simulations. Increasing the number of simulations will reduce the relative error. The average net worth of \$20,263,467 based on 1000 simulations has a relative error of 5.29%.

Net worth approaching ZERO – means you are running out of money and assets

Success is much more than "not running out of money"

Success is maintaining your lifestyle and enjoying your retirement goals

- Success is paying all lifestyle expenses and needs
- Success is not using any asset you designated as "do not use"
- Success is leaving your heirs special assets



Success

This graph shows the percent of simulations that were successful in paying all your lifestyle expenses without using any of your "restricted assets" through each year.

Success is more than not running out of money – it's maintaining your desired retirement lifestyle.

Evaluation Standard Footnote: You may supply one customized footnote that will appear on all printed analysis presentation pages for each product. (Allowance: Up to 2 full lines of static text in 9 pt. Arial font)

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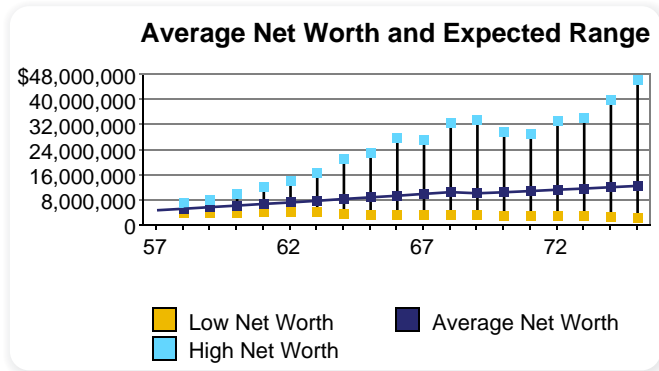
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Probability of Success™

Your Hypothetical Scenario

Running Out of Money

It is common to fear running out of money and depleting your assets during retirement. If that were to happen, your net worth would become zero. The average net worth of all simulations can be an indicator of the probability of that occurring. The expected range shows the result of 70% of the simulations.



Relative Error

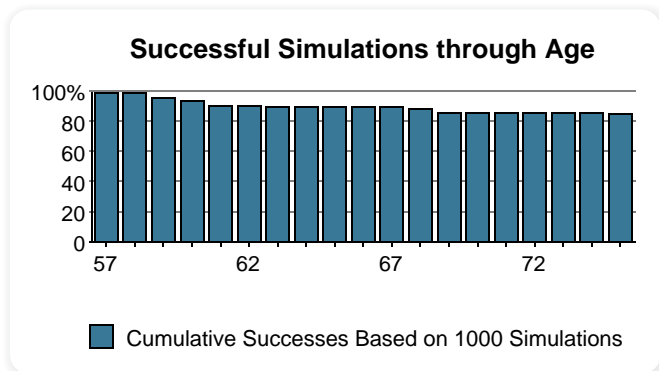
Supported by standard statistical theory, the relative error indicates a probability of greater than 99% that these values represent the true average result. Results cannot be guaranteed but are statistical measures applied to the results of a large number of simulations. Increasing the number of simulations will reduce the relative error. The average net worth of \$13,422,221 based on 1000 simulations has a relative error of 4.63%.

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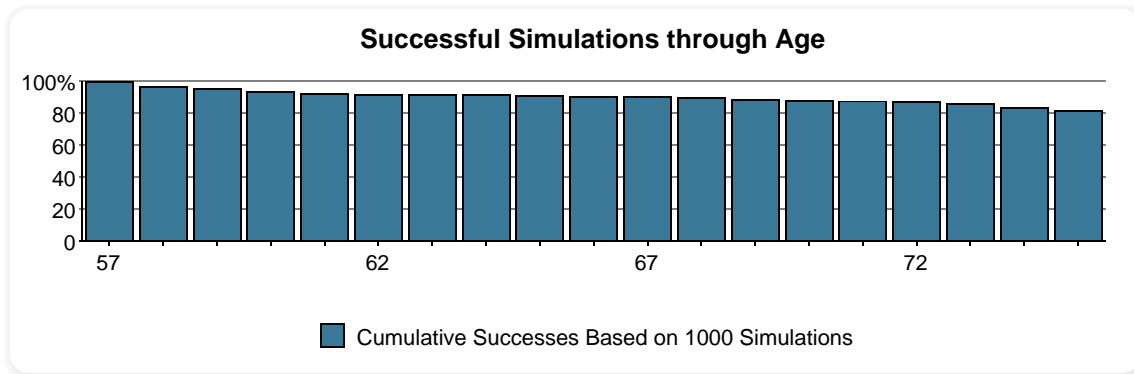
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Comparison

Scenario 1: Current Situation

When Will You Run Out of Money?

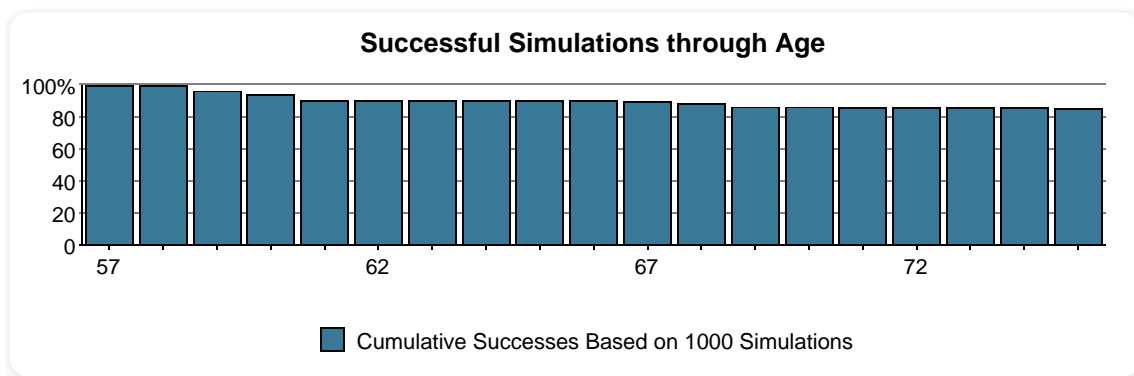


This illustration is the result of 1000 simulations for this scenario. A failure is the first year a shortfall occurs. The percent of simulations having its first shortfall is shown for each year.

The average net worth of \$20,263,467 based on 1000 simulations has a relative error of 5.29%.

Scenario 2: Proposed

When Will You Run Out of Money?



This illustration is the result of 1000 simulations for this scenario. A failure is the first year a shortfall occurs. The percent of simulations having its first shortfall is shown for each year.

The average net worth of \$13,422,221 based on 1000 simulations has a relative error of 4.63%.

Failures are defined as a simulation that experienced a shortfall without using restricted assets or assets designated “Do not use” in this scenario. In these cases, you would have to modify your desired lifestyle or use restricted assets for the needed income.

Evaluation Standard Footnote: You may supply one customized footnote that will appear on all printed analysis presentation pages for each product. (Allowance: Up to 2 full lines of static text in 9 pt. Arial font)

Probability of Success™

Your Hypothetical Scenario

Methodology Used:

Information is gathered from you about your assets, qualified retirement plans, income, liabilities, expenses, expected tax rates, as well as personal information and objectives. Details about these items are collected such as your expected rates of return, cost basis, and current value. Calculations are made assuming that everything performs as you specified. This set of results is referred to as the "deterministic" results.

Methodology Used for Probability Analysis:

No actual securities nor indices are being used or recommended in this analysis. Additional calculations are made using your information as the basis, but varying the results each year based on the assumptions for simulations described in the "Probability of Success Details" section following. Each simulation is subjected to a number of "uncertainties" occurring that year: economic conditions will result in expected rates of returns being adjusted; mortality assumptions will determine if death is assumed for that year; disability assumptions will determine if a well person becomes disabled, or if a disabled person will recover; and inheritance assumptions will determine what, if any, inheritance may be received that year. All variations in the future are based on the historical averages of the past. (See section "Probability of Success Details" for specific sources of assumptions.)

By repeating this process many times and applying statistical measures to the results, it can be an indication of a statistically correlative result. The purpose of these calculations is not to predict the result of any specific investment or assets, but to see the interplay of all your assets and desired actions as they relate to your net worth, your net to heirs, and your cash flow sensitivity over time. Since all simulations are different, the results may vary with each use and over time.

Although each asset class may vary independently for any single year, all assets of the same class are assumed to vary similarly for each year. This is a limitation of this program. Assets of the same class may average the same returns and may have the same degree of risk, but in reality, they do not vary in the same manner each year. Other limitations of this program are described in the "Assumptions" pages.

Total returns and risk, as measured by volatility, vary directly: low risk usually have low returns, and high risk has the potential for higher returns, although any investment could also experience losses. The more the risk, the greater the probability of losses. Historical returns over the past 40 years have been used with a heavier weighting on the most recent ten years. The volatility for each asset class was based on standard deviations and the coefficient of volatility as shown for each class below:

Low Volatility = 0%
(Almost no risk)

Very Conservative = 10%
(Low risk)

Conservative = 40%
(Below average risk)

Moderate = 90%
(Average risk)

Aggressive = 120%
(Higher than average risk)

Dynamic = 160%
(Very high risk)