Retirement Plan for Michael David and Elizabeth Romaine Fuller

December 30, 2005

Plan #1: No Major Changes (Overview)

This plan reflects your current intentions, without any changes to your work plans or standard of living.

Key elements:

1. This plan assumes that Michael will retire according to current plans, which may not actually be feasible without other changes. Elizabeth does not currently work for pay, and will not do so in the future.
2. Michael should begin taking Social Security at age 65.
3. Michael should elect the 25-year payment option, under Mike's pension.
4. Expenses are assumed to remain at a level in line with your current standard of living.
5. This plan does not assume that you sell your home right away. The future equity in your home could need to be tapped, however, by sale or by other means, if you require long-term care or have other financial needs later.

Report Card for Plan #1

B+	Overall grade
A	Under "normal" circumstances
B+	If you live an extra long lifetime
A	If you experience inferior returns on savings and investments
B+	If inflation is abnormally high
B+	If you have high medical expenses, including long-term care
C	If you have high medical expenses, including long-term care, and if you live an extra long lifetime

See the attached Explanatory Notes for more specific definitions of each set of circumstances referred to above.

6. VISA card should be paid off, since the interest rate on the debt is higher than what you are likely to earn on your savings.
7. Michael and Elizabeth should sign up for Medicare Part B as soon as possible after age 65.
8. Michael is not advised to seek new long-term care insurance, because living arrangements may go a long way toward reducing the need for outside help, because home equity can help pay for care, and because other assets may be available, if needed.

9. Elizabeth also is not advised to seek new long-term care insurance, because her relatively poor health will make premiums extremely expensive.
10. This plan assumes that all current cash value insurance on Michael's life is kept in force indefinitely. It is also assumed that Michael will purchase new life insurance in the amount of $177,000 to assure that the desired amounts are available for heirs upon his death.
11. Elizabeth has a traditional IRA that she should consider converting, in whole or in part, to a Roth account. Since your tax-sheltered retirement assets are currently mostly in non-Roth accounts, converting some to Roth status will give you more options for managing your funds in the future, regardless of whether your taxes increase or decrease. Note that since Roth conversions generate taxable income, you usually should not convert so much in one year that you are pushed into a higher federal income tax bracket.
12. This plan assumes that your business interests are sold in about 5 years.
13. This plan assumes that your investment real estate is sold in about 5 years.
14. You probably will need to liquidate some assets to cover upcoming cash flows. You should consult the attached "Evaluation of Assets for Sale or Re-allocation" report for details about which assets are most eligible for this purpose.
15. This plan assumes a mixed investment strategy, with some funds invested conservatively and others not as conservatively, targeting an average annual rate of return 3.3% above inflation.
16. Michael should draw up a last will and testament to assure that the disposition of assets, and other arrangements, occur as desired.
17. Michael should create a living will so that wishes in the event of serious illness will be observed.
18. Michael should sign a health care proxy enabling a designated love one to make medical decisions in case incapacity prevents one's own decision being made.
19. Michael should set up a durable power of attorney so that a proper substitute can make financial and lifestyle decisions in case of one's own incapacity.

Plan #2: Combination (Overview)

In this plan, retirement is delayed by 3 years, and your overall standard of living is assumed to be reduced by 25%.

Key elements:

1. This plan assumes that Michael will retire in the sixth year, which currently appears to be feasible. Elizabeth does not currently work for pay, and will not do so in the future.
2. Michael should begin taking Social Security at age 66.
3. Michael should elect the 25-year payment option, under Mike's pension.
4. Expenses other than medical and financial items are assumed to be reduced by 25%, even though this may require important changes in where and how you live. Costs for medical treatment and financial obligations are presumably not subject to voluntary reduction on your part.
5. This plan does not assume that you sell your home right away.

Report Card for Plan #2

A+	Overall grade
A+	Under "normal" circumstances
A+	If you live an extra long lifetime
A+	If you experience inferior returns on savings and investments
A+	If inflation is abnormally high
A+	If you have high medical expenses, including long-term care
A-	If you have high medical expenses, including long-term care, and if you live an extra long lifetime

See the attached Explanatory Notes for more specific definitions of each set of circumstances referred to above.

6. VISA card should be paid off, since the interest rate on the debt is higher than what you are likely to earn on your savings.
7. The plan assumes that your ongoing special expenses will be reduced by 25% as well. If this is not possible, you will need to compensate for it elsewhere. You have also indicated a future lump sum expense, which we have not assumed you can reduce. If you can, this may give you some latitude elsewhere.
8. Michael and Elizabeth should sign up for Medicare Part B as soon as possible after age 65.
9. Michael is not advised to seek new long-term care insurance, because living arrangements may go a long way toward reducing the need for outside help, because home equity can help pay for care, and because other assets may be available, if needed.
10. Elizabeth also is not advised to seek new long-term care insurance, because her relatively poor health will make premiums extremely expensive.
11. This plan assumes that all current cash value insurance on Michael's life is kept in force

indefinitely. It is also assumed that Michael will purchase new life insurance in the amount of $177,000 to assure that the desired amounts are available for heirs upon his death.

12. Elizabeth has a traditional IRA that she should consider converting, in whole or in part, to a Roth account. Since you seem likely to be in a higher tax bracket later, paying taxes now and then getting tax-free growth is advantageous for you. Note that since Roth conversions generate taxable income, you usually should not convert so much in one year that you are pushed into a higher federal income tax bracket.
13. While Michael is still working, he should save as much as possible in employer-sponsored retirement plans.
14. This plan assumes that your business interests are sold in about 5 years.
15. This plan assumes that your investment real estate is sold in about 5 years.
16. You probably will need to liquidate some assets to cover upcoming cash flows. You should consult the attached "Evaluation of Assets for Sale or Re-allocation" report for details about which assets are most eligible for this purpose.
17. This plan assumes a mixed investment strategy, with some funds invested conservatively and others not as conservatively, targeting an average annual rate of return 3.3% above inflation.
18. Michael should draw up a last will and testament to assure that the disposition of assets, and other arrangements, occur as desired.
19. Michael should create a living will so that wishes in the event of serious illness will be observed.
20. Michael should sign a health care proxy enabling a designated love one to make medical decisions in case incapacity prevents one's own decision being made.
21. Michael should set up a durable power of attorney so that a proper substitute can make financial and lifestyle decisions in case of one's own incapacity.

Your Household's Hypothetical Cash Flow

Combination Plan
Extra Long Life Scenario

This illustration shows what could happen in one set of circumstances. But it is extremely unlikely that exactly these circumstances will occur, and this hypothetical illustration should not be taken as a prediction or forecast.
See the attached Explanatory Notes for more information.

		Household Income			Household Expenses				
Year	Net Assets: Start of Year	Work	Social Security, Pensions, Annuities	Invest-ment and Other Income	Necessary Items	Discre-tionary Items	Financial (Debt, Taxes, etc.)	Medical Costs	Net cash Flow for the Year
2005	1,850,700	72,000	11,100	85,221	38,432	73,134	44,784	8,880	3,091
2006	1,895,100	73,440	11,367	87,559	39,190	71,371	44,151	9,976	7,678
2007	1,939,644	74,909	18,775	89,198	39,972	73,259	45,869	11,072	12,709
2008	1,990,637	63,672	70,171	77,995	40,779	91,369	57,903	11,989	11,531
2009	2,041,934	38,968	70,891	78,791	41,613	77,488	47,809	13,085	8,654
2010	2,091,902	6,624	71,628	178,985	42,473	78,578	39,391	14,181	82,614
2011	2,217,449	0	72,384	83,929	43,362	79,951	38,118	15,277	**-20,396**
2012	2,241,676	0	73,158	81,488	44,280	81,430	38,483	16,374	**-25,920**
2013	2,262,148	0	73,951	78,882	45,197	81,639	38,986	17,470	**-30,459**
2014	2,279,930	0	74,764	76,438	46,146	81,869	38,415	18,566	**-33,794**
2015	2,296,311	0	75,597	73,745	34,143	82,123	36,497	19,662	**-23,083**
2016	2,312,445	0	76,450	71,839	35,156	82,400	35,934	20,941	**-26,141**
2017	2,326,764	0	77,325	69,704	36,203	82,702	35,313	22,302	**-29,491**
2018	2,339,016	0	78,221	67,319	36,604	83,031	34,561	23,751	**-32,408**
2019	2,349,678	0	79,139	64,717	37,037	83,387	33,751	25,295	**-35,614**
2020	2,358,501	0	80,079	61,877	37,501	83,772	32,876	26,939	**-39,133**
2021	2,365,220	0	81,043	58,774	37,999	84,186	31,938	28,690	**-42,996**
2022	2,369,534	0	82,031	55,385	38,531	84,632	30,920	30,555	**-47,223**
2023	2,371,129	0	83,043	51,683	38,765	83,943	29,533	32,541	**-50,057**
2024	2,371,447	0	84,080	47,770	39,028	83,286	28,090	34,657	**-53,211**
2025	2,370,219	0	85,142	43,623	39,320	82,664	26,598	36,909	**-56,726**
2026	2,367,137	0	86,231	39,217	39,645	82,077	25,244	39,308	**-60,826**
2027	2,361,669	0	87,346	34,508	40,002	81,528	35,806	41,863	**-77,345**
2028	2,341,454	0	88,490	29,942	40,394	79,881	28,226	44,584	**-74,654**
2029	2,325,759	0	89,661	25,612	40,821	61,893	102,712	47,482	**-137,636**
2030	2,232,670	0	90,861	58,043	41,286	59,625	20,886	50,569	**-23,462**
2031	2,255,327	0	0	56,683	0	6,143	**-91,773**	281,772	**-139,460**

Key events assumed for this Plan / Scenario (during the 12 months starting in December of the year shown):

2005 - Debt in the amount of $4,500 is paid off.
2005 - Taxable savings and investments run out.
2007 - Michael begins receiving Social Security.
2007 - Royalties ends, if recipient is still alive.

2008 - Michael begins gradual (phased) retirement.
2008 - Mike's boat begins.
2009 - Investment real estate is sold.
2009 - Family business is sold.
2010 - Michael's job ends.
2010 - Inheritance from Betty's Mom is received ($100,000).
2010 - Dick's death (funeral expenses are paid).
2011 - Margaret's death (funeral expenses are paid).
2012 - IRA withdrawals ends, if recipient is still alive.
2013 - Required minimum distributions from Deferred Annuity begin.
2013 - Required minimum distributions from Retirement plan begin.
2013 - Required minimum distributions from IRA begin.
2027 - Miscellaneous invested assets run out.
2029 - Residential property other than primary residence is sold.
2031 - Michael's death (income and expenses for this person end; one-time medical expenses occur; funeral expenses are paid; life insurance benefits are received; estate taxes are paid; Betty's stipend ends).
2031 - Elizabeth's death (income and expenses for this person end; one-time medical expenses occur; Mike's boat ends).

Evaluation of Assets for Sale or Re-allocation

You will need to liquidate some assets soon. In addition, you may wish to consider adjusting your asset portfolio to obtain the level of safety and investment return that you require. This report lists your assets in order starting with those that appear to be best to liquidate or re-allocate first. Factors such as expected rates of return, taxation, valuation after death, risk, and liquidity may be taken into account, along with your own goals, concerns, and preferences. None of these items can be fully determined in advance, however, and you may have additional reasons of your own for wanting to hold or dispose of specific assets. It is important, therefore, that you treat the following order as a suggestion to be considered carefully by you, but not as the absolutely best order for disposing of or re-investing your assets.

After the name of each asset, two percentages are given. The first estimates the long-term annual rate of after-tax return over the lifespan of the owner or owners (and assuming a sale just before death); the second estimates the return at the time your heirs might inherit it, if the asset is not sold during your lifetime, taking account of tax treatment both at death, and before. Both estimates assume a "normal" lifespan for the asset owner, assume that the information provided about each asset continues to be true indefinitely, and assume that current tax laws remain in effect, none of which is actually likely to occur. The length of the shaded bar is a rough indicator of the desirability of retaining each asset, with longer bars indicating assets that appear more advantageous to keep.

This evaluation was calculated specifically for the "Combination" Plan, but the analysis would not differ significantly under another plan.

Beach house (-1.88%, -2.19%)

This home will probably not be of great financial benefit to your heirs, compared to other forms of investment. This property is not expected to appreciate much in value. This asset is not liquid and it may be difficult to derive cash from it under some circumstances. You say you are reluctant to dispose of this property. Long-term risk associated with residential real estate is usally relatively low.

Investment real estate (2.96%, 3.87%)

This asset may not be very liquid, or may be liquid at certain times more than others. This asset could be of substantial financial benefit to your heirs. Retaining this asset does not appear to expose you to excessive risk.

Put options (5.94%, 5.92%)

This asset appears riskier than your risk profile suggests is suited for you. You say this asset can be disposed of. Assuming that this asset is eligible for a step-up in basis at death, it is expected to be of higher than average benefit to your heirs. This investment has a high rate of return.

Saleable personal valuables (2.50%, 2.50%)

These assets will probably be of relatively minor benefit to your heirs, compared to alternative investments. Non-income-producing assets often carry relatively low risk, but even so, values can fluctuate, and timing a sale can be very important.

Deferred Annuity (2.80%, 2.80%)

You say you are willing to dispose of this annuity. Even with a modest surrender charge, your annuity is reasonably liquid and will become more so over time. By their nature, annuities are (or, in the case of variable annuities, can be made to be) very low-risk assets.

IRA (3.51%, 3.88%)

The tax-advantaged return offered by this retirement account makes it a reasonable asset to hold onto. Despite the fact that such accounts are taxable at death, the tax deferral and expected performance during your lifetime will still build up significant value for your heirs. You have indicated a reluctance to dispose of this asset. Tax-qualified accounts are generally quite liquid.

Primary residence (3.53%, 3.53%)

This asset is not liquid and it may be difficult to derive cash from it under some circumstances. This property is expected to appreciate considerably in value, and it may be eligible for a special tax break when sold. This home should be of significant financial benefit to your heirs. You say you are reluctant to dispose of this property. Long-term risk associated with residential real estate is usally relatively low.

Retirement plan (4.40%, 4.76%)

You have indicated a willingness to dispose of this asset. Tax-qualified accounts are generally quite liquid. The tax-advantaged return offered by this retirement account makes it a reasonable asset to hold onto. Despite the fact that such accounts are taxable at death, the tax deferral and expected performance during your lifetime will still build up significant value for your heirs.

Checking account (1.06%, 1.06%)

Accounts in banks usually produce low returns and, except for a small exemption, are fully taxable. With low yields and pay-as-you-go taxation, banking accounts generally do not offer advantages for your heirs. This asset is highly liquid and could be an excellent reserve for future emergencies. This kind of asset is nearly risk-free in terms of safety of principal.

Bond Mutual Fund (3.81%, 4.20%)

You have indicated a willingness to sell this asset. This fund is expected to perform relatively well during your lifetime. This fund is currently invested relatively conservatively, which suits your risk profile. Your heirs may benefit from a step-up in basis at death, plus expected fund performance, assuming the latter materializes. Mutual fund accounts are highly liquid.

Explanatory Notes

Plans:

This report outlines two plans that attempt to make good use of the resources and opportunities you have before you. Of course, no plan can guarantee success, and no plan can fully account for all of life's surprises. We strongly urge you to update this analysis periodically. In the meantime:

The "No Major Changes" plan assumes that the principal factors that determine your finances work out as you initially specified. This means working as much or as little as you currently intend. It also means that your overall standard of living, excluding medical expenses and most financial obligations (which you may not be able to reduce easily), stays as it is. Of course we do expect your expenses to change, due to inflation, or due to normal changes in emphasis as you age, and such changes are taken into account. But we assume that these changes are neither more nor less than those required to maintain your current living standard.

The "Combination" plan assumes that retirement is delayed 3 years. That is, it assumes that Michael will wait until year 6 to end current employment. Your standard of living (i.e., all expenses other than medical and non-mortgage financial obligations) is reduced by 25%. Additional expense variations over time due to inflation or to normal changes in spending patterns are also reflected in this plan. Note, therefore, that this does not just mean reducing the items that you would normally expect to reduce at retirement anyway. It means a real reduction in your style of spending and, if there is not enough "fat" in your current budget, in your style of living as well.

Report cards:

Each plan is given an overall evaluation, then is further graded under six sets of conditions ("Scenarios") that reflect both "normal" conditions and other concerns you have indicated.

The "Overall grade" is a "weighted average" of the individual grades for each scenario. This simply means the average of the other grades, but giving more importance to the scenarios that you have indicated concern you the most. The grading system is intended to be similar to a school report card. To be more specific:

A = Goals are expected to be met, with room to spare.
B = Goals are expected to be nearly met, but not quite.
C = Results are expected to fall short of goals, but further adjustments may produce acceptable results.
D = Substantial changes will be needed to bring results and goals in line.
F = This is a recipe for financial disaster if these circumstances occur.

The "normal" scenario is intended to show what would happen under "expected" or "typical" future circumstances.This means expected average future events, with neither good nor bad surprises. Of course, the "Normal" scenario will not occur, because reality always varies from expectations, sometimes by a little, sometimes by a lot. That is why other, less favorable scenarios are also shown. Here are the assumptions that we use in the "Normal" scenario:

1. Everyone lives to the expected average age for people of their sex, current age, health, and smoking status:
   - Michael lives to age 79.8.
   - Elizabeth lives to age 78.8.
   - Alexandra lives to age 85.2.
   - Dick lives to age 89.9.
   - Margaret lives to age 94.2.
2. You use a relatively conservative strategy for your savings and investments:
   - Your annual pre-tax return on saved and invested funds is assumed to be 5.8%.
   - (See further notes below for more information about savings and investments.)
3. Inflation consistently runs at a moderate rate:
   - The annual inflation rate is assumed to be 2.5%.
4. Medical costs, unless already higher than average, will gravitate to historical averages:
   - Medical expenses tend to increase about 2% for each year of age.
   - Annual medical cost inflation will be about 6.5%.
   - Normal medical costs will be adjusted, based on current health.
     - Adjustments may range from 25% below normal to as much as four times normal.
   - Extra out-of-pocket medical costs are assumed to be $20,000 per person in the year of death (before inflation).
   - No other long-term medical care costs are assumed in this scenario.

The "long life" scenario illustrates the consequences if other assumptions are held steady, but everyone in the household lives longer. In most cases, a longer life means an increased financial risk, because your money has to last that many more years. In this scenario, life expectancy is 10 years longer per person than assumed in the "Normal" scenario.

The "inferior returns" scenario tests the impact of adverse investment experience. Although most people invest more conservatively when they get older, even conservative investments can do worse than expected. Furthermore, adverse market conditions tend to hurt you more if they occur early on, before you have withdrawn and spent much of your savings. Under this scenario:

1. Your average pre-tax return on saved and invested funds drops to 4.8% (compound average annual rate).
2. Your investable funds are assumed to lose 10% of their value for each of the first 3 years, before recovering.

The "high inflation" scenario estimates what would happen if everything stayed "normal" except the inflation rate. The assumed average inflation rate under this scenario is increased to 7.5%. It is not assumed that high inflation always translates to proportionately higher investment returns. In this scenario, the pre-tax return on saved and invested funds is increased only to 8.3%.

The "high medical expense" scenario estimates what would happen if medical expenses turn out to be much higher than expected. All assumptions are kept at "normal" levels in this scenario, except:

1. Expenses for medical care are multiplied by a factor of 2.0.
2. Both of you are assumed to need 5 years in long-term home health or nursing home care.
   (Assumed costs are based on family arrangements, insurance, and your state of residence.)

The "high medical expense and long life" scenario tests the consequences if both situations that appear to most concern you occur. This scenario assumes the following deviations from "normal:"

1. Each person lives 10 years longer than normally expected.
2. Expenses for medical care are multiplied by a factor of 2.0.
3. Both of you are assumed to need 5 years in long-term home health or nursing home care.

Social Security:

The longer you wait to start taking Social Security, the higher your monthly check will be. The best time to start taking Social Security benefits, therefore, depends on the trade-off between getting more checks vs. getting higher checks. The recommendations made under each Plan reflect your expected benefit levels and life expectancy. The analysis also takes into account your work plans, since up to age 65 there is an "earnings test" that can reduce your Social Security benefits. Finally, the starting age recommendation takes account of your overall income, since you can lose some of your benefits to income taxes depending on how much other taxable income you receive.

Pension plan options:

Which pension option will best pay off for you depends on how long both of you live. Of course, no one can know for sure, so a choice of pension options is always something of a gamble. The pension recommendation is partly based on an estimate of normal life expectancy, but also takes into consideration what would happen if either of you died prematurely.

High-interest debt:

If you maintain debt with high interest rates, you are essentially borrowing money at high rates so you can invest it at lower rates. Furthermore, money you earn on savings and investments is usually taxed in full or in part, reducing its benefit to you, while debt payments generally are not deductible, making them more expensive. In addition, the interest payments you save by paying off debt are "guaranteed" savings, helping you out immediately and permanently. For all these reasons, repayment of high-interest debt is one of the most lucrative as well as one of the safest "investments" you can make.

Medicare:

U.S. citizens automatically receive Medicare Part A (hospital insurance) at age 65. They are also eligible for Part B (supplemental medical insurance) at an additional but relatively modest premium. Despite the premiums required for participation in Medicare, the program is heavily subsidized by the U.S. government and is worth signing up for as soon as one is eligible. Medicare recipients also have the option of using an existing HMO or other care arrangement under Medicare Part C ("Medicare + Choice") as a substitute for traditional Medicare. If you are already part of a medical plan that you like, or if you are joining a new plan, ask your medical care provider about how they work with Medicare. Starting in 2006, Medicare members may also sign up for limited prescription drug benefits under a wide variety of options; which option works best depends on your specific medication requirements.

New life insurance:

There are many varieties of life insurance, not all of which are well suited to older individuals. Your advisor can help you determine what kind of policy would be appropriate.

Roth conversions:

So-called Roth plans are taxed differently from traditional IRAs and employer-sponsored retirement plans. While the latter generally defer all taxes until you withdraw your funds from the plan, Roth accounts require that you pay taxes on your plan contributions up front. But with a Roth plan you never pay federal income taxes again, meaning all of the future earnings on the plan are income tax-free. When you convert from a traditional plan to a Roth plan, you do have to pay ordinary income taxes on the amount that you convert. But then you don't pay income taxes on future growth in that account. You also are not required to start withdrawing money after age 70, as you are with traditional accounts, so you may be able to keep the tax shelter going longer. Roth accounts generally are available with the same investment options and fees as traditional IRA plans.

In general, you are better off making a conversion if you will be in a higher tax bracket later, and not making it if you will be in a lower tax bracket later. When a conversion is being recommended, it may be appropriate to spread it out over several years. Since the amount you convert is taxable, that by itself may push you into a higher tax bracket. If you only convert amounts each year that will not put you into a higher bracket, it may take a number of years to convert the full amount, but this is almost always the best way to do it.

Order of liquidation of assets:

Your assets have been evaluated according to various criteria. In additional to risk (a negative factor) and liquidity (i.e., quick availability, generally a positive factor), we also looked at the expected long-term financial performance of each asset. Performance is evaluated on an after-tax basis as of life expectancy, net of both income and capital gains taxes (before death), and also taking into account tax treatment upon death. If any tax-sheltered assets require taxable withdrawals during your lifetime, the tax effect of these is also taken into account. Finally, we look at the balance of ownership of assets between the two of you.

These factors are estimated for each asset, then weighed according to your general goals and concerns, as well as any stated preferences with regard to particular assets. The listing of assets most eligible for liquidation reflects this evaluation. Of course, in any given case you may have special reasons for moving an asset up or down on the list, so this ranking should be taken as a starting guideline, not necessarily as a final determination.

Assumed investment return:

The target investment rate of return is set to reflect your own feelings about investment risk, but it also recognizes that in your older years your investments should be relatively conservative. Although taking more risk is likely to produce higher returns, it also means a greater chance of lower returns, or even of losing some portion of your money. When you are young and still have many years of work in front of you, you can afford to take more chances, because you have the time and are more likely to have the means to make up for bad luck. But in retirement, your chances of covering losses are severely reduced. In general, therefore, you can only afford to take more risk if you can afford to lose money.

This analysis does not provide specific investment recommendations. You should discuss saving and investment choices with your financial advisor.

Wills:

Every adult, especially older adults, should have an up-to-date last will and testament. Such a document is the best assurance that what happens, financially and otherwise, after your death is in line with your wishes.

Living wills:

A living will states your wishes regarding extraordinary medical measures. Having a living will makes it more likely that your wishes will be understood and followed. This is better for you, and it also takes a large burden off of relatives and medical caretakers who would otherwise have to try to figure it out on their own.

Health care proxies:

A health care proxy authorizes someone you trust to make medical decisions for you, if you are mentally incapacitated. Without such authority, decisions may fall to medical caretakers or others whose decisions might not be based on your or your family's wishes.

Durable powers of attorney:

A durable power of attorney gives someone else, under circumstances you can specify, the ability to act legally in financial or other matters for you. Such a document can be very beneficial if you are incapacitated for some reason and need someone to sign checks, make financial or legal decisions, or handle other matters on your behalf.

Household Hypothetical Cash Flow report:

This report assumes that the specified Plan and Scenario occur as described, and that all assumptions and decisions described in the Plan details occur (unless otherwise specified). In addition, the report assumes that other events and decisions occur at logical times: for example, that when assets need to be liquidated to cover expenses, assets that are more liquid and less tax-advantaged generally will be used first. Expense projections are based on current expense levels, typical patterns of expense changes that occur with aging, and other assumptions specified for the illustrated Plan and Scenario. Other details you may wish to know about include:

1. YEAR: Each row represents one 365-day period, with the first one starting today (December 30, 2005). In the remaining notes for this section, "the year" refers to such a 365-day period, not to the calendar year.

2. NET ASSETS: This is the estimated value of household assets at the start of the year, minus any debts. It takes into account both the cash flow documented in the other columns of the report, and other events, such as the underlying growth in market value of real estate or family businesses, or contributions to retirement plans. Since some non-listed events are reflected, as well as debt amortizations (where applicable) that appear as cash expenses but do not affect net worth, the change in net assets from one year to the next often does not equal the cash flow during that year.

3. WORK: Estimated income from employment.

4. SOCIAL SECURITY, PENSIONS, ANNUITIES: Estimated income from these sources, whether currently received, or anticipated under the Plan. The common element among these sources is that they are regular payments from outside institutions that are not dependent on assets owned by the household.

5. INVESTMENT AND OTHER INCOME: This includes income from all other sources. Investment income includes all income earned on savings and investments, whether it is received in cash or not. This means that capital gains on stocks, bonds, or other securities are included, as is the growth in any tax-advantaged accounts such as (for example) IRAs or employer-sponsored retirement accounts, and growth in the value of personal property that could be sold someday - even though such gains are not "cash" events, strictly speaking. Investment income also includes direct income (i.e., rental income or business earnings) on real estate or family businesses. However, gains in the underlying market value of real estate and business assets are not included here or in other columns of this report, except as a change in net assets. "Other" income means all other income sources, such as rents, copyrights, patents, alimony, or any other miscellaneous items that have been entered, including both ongoing and lump sum amounts. Note that investment income in the first year will generally not match income as input, since we assume that assets will shift as part of the implementation of this plan.

6. NECESSARY EXPENSES: Any line between "necessary" and "discretionary" expenses is somewhat arbitrary. For purposes of this report, "necessary" expenses include housing costs (mortgage or rent, real estate taxes, home insurance, utilities), plus food, clothing, and transportation.

7. DISCRETIONARY EXPENSES: This category includes most other household expenses, including entertainment, travel and vacations (incl. all expenses for second homes, if any), charitable and family gifts, vehicles other than the family car, and other miscellaneous household expenses.

8. FINANCIAL EXPENSES: This includes most debt payments (other than home mortgages), taxes (other than real estate taxes), and life insurance premiums. Taxes include any Social Security taxes payable on employment income, federal and state/local income taxes, and estate taxes. Federal income taxes include both regular income taxes and capital gains taxes, which are estimated according to current tax laws, with assumed future inflation adjustments. Federal taxes reflect current law through 2010, with rates increased to pre-2002 levels thereafter. State and local taxes, where applicable, are estimated based on current tax rates on earned income for the present state of residence; no special adjustments are made according to the nature of the income, although many states allow adjustments of various kinds. Estate taxes are only very roughly and arbitrarily estimated (at no more than 10%), as the current estate tax structure makes any useful predictions impossible. "Financial Expenses" also includes other financial events that occur at death: a modest allowance for funeral expenses (except if prepaid), and the transfer of any applicable bequests outside of the household. Any life insurance proceeds payable at death to beneficiaries inside the household are counted as reductions

to financial expenses, so that in the year of a family member death, this figure can be a negative number.

9. MEDICAL COSTS: This column includes projected future costs of medical care and medical insurance, including the costs of long-term care and long-term care insurance, if applicable.

10. NET CASH FLOW: This equals the total of the Income columns, minus the total of the Expense columns. As explained above, the Net Cash Flow often does NOT equal the difference in Net Assets from one year to the next, because the change in assets may include items not listed under income and expenses.

IMPORTANT: Warning and disclaimer (System version 1.29, December 2005):

This report reflects our best effort to help you meet your financial goals, given your current situation as you have described it, and taking into account the uncertainty of the future. In all cases, if you knew exactly how the future would unfold, you would do many things differently. This report, therefore, cannot and does not provide you with a plan that will turn out to be the best thing you could have done. Rather, it attempts to produce a prudent plan that will give you a relatively good chance of success in an environment where little is certain. If these limitations are not acceptable to you, you are strongly advised not to take this report into account in your financial planning.