

## Lump Sum Distribution Comparison Report for Felicity Simmons

Report produced May 27, 2003

	Lump Sum Option		Single Life Annuity		Joint Life Annuity		IRA Rollover		Partial IRA Rollover		Roth Conversion	
Tax Year Ends	Total Taxes	Total Year-end Assets	Total Taxes	Total Year-end Assets	Total Taxes	Total Year-end Assets	Total Taxes	Total Year-end Assets	Total Taxes	Total Year-end Assets	Total Taxes	Total Year-end Assets
2003	166,364	299,429	4,012	9,962	3,249	8,178	0	465,793	81,782	384,012	159,783	300,402
2004	6,225	314,164	8,253	31,296	6,689	25,687	0	498,399	3,680	407,213	0	321,430
2005	6,531	329,624	8,697	53,680	7,053	44,057	0	533,287	3,861	431,857	0	343,930
2006	6,634	346,064	8,861	77,467	7,190	63,577	0	570,617	3,921	458,166	0	368,006
2007	6,965	363,324	9,339	102,440	7,583	84,069	0	610,560	4,117	486,121	0	393,766
2008	7,312	381,444	9,842	128,659	7,996	105,584	0	653,299	4,322	515,827	0	421,330
2009	7,677	400,469	10,370	156,185	8,429	128,172	0	699,030	7,606	544,329	0	450,823
2010	8,059	420,442	10,924	185,085	8,883	151,887	7,775	740,187	8,201	574,231	0	482,380
2011	8,461	441,412	11,505	215,426	9,360	176,784	8,786	783,214	8,841	605,587	0	516,147
2012	8,883	463,427	12,116	247,280	9,861	202,923	9,778	828,261	9,528	638,450	0	552,277
2013	9,326	486,541	12,757	280,722	10,388	230,366	10,858	875,382	10,266	672,876	0	590,936
2014	9,792	510,807	13,430	315,833	10,940	259,177	12,031	924,628	11,059	708,918	0	632,302
2015	10,280	536,283	14,136	352,695	11,520	289,426	13,256	976,096	11,888	746,654	0	676,563
2016	10,793	563,031	14,878	391,395	12,128	321,183	14,633	1,029,790	12,799	786,121	0	723,923
2017	11,331	591,112	15,657	432,026	12,767	354,523	16,067	1,085,808	13,751	827,398	0	774,597
2018	11,896	620,593	16,475	474,683	13,438	389,527	17,613	1,144,202	14,767	870,549	0	828,819
2019	12,489	651,546	17,333	519,467	14,143	426,277	19,277	1,205,019	15,853	915,634	0	886,836
2020	13,112	684,041	18,235	566,486	14,883	464,859	21,069	1,268,301	17,013	962,716	0	948,915
2021	13,766	718,158	19,181	615,849	15,659	505,366	22,996	1,334,086	18,251	1,011,855	0	1,015,339
2022	14,453	753,976	20,174	667,674	16,474	547,893	25,065	1,402,407	19,571	1,063,114	0	1,086,413
2023	15,174	791,581	21,217	722,084	17,330	592,541	27,174	1,473,402	20,929	1,116,603	0	1,162,461
2024	15,931	831,061	22,312	779,207	18,229	639,416	29,419	1,547,120	22,368	1,172,397	0	1,243,834
2025	16,725	872,510	23,731	838,911	19,441	688,360	31,807	1,623,611	23,893	1,230,572	0	1,330,902
2026	17,559	916,026	24,986	901,538	20,480	739,690	34,343	1,702,921	25,506	1,291,206	0	1,424,065
2027	18,435	961,713	26,247	967,289	21,513	793,581	37,158	1,784,968	27,212	1,354,378	0	1,523,750
After-1	ax	961,713		967,289		793,581		1,516,845		1,245,960		1,523,750

This report reflects assumptions contained in the attached Notes. This report is not complete unless all pages of the Notes are attached.



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Total Year-end Assets



## Lump Sum Distribution Comparison for Felicity Simmons — Notes Report produced May 27, 2003

The Lump Sum Distribution Comparison Report for Felicity Simmons illustrates how distributions from your plan may work. The intention is to demonstrate, particularly in comparison with alternative distribution options, the possible effects on your fund earnings and taxes over time.

This illustration uses many assumptions about both the present and the future. Some of these assumptions are only estimates, and they will be detailed in the notes that follow. Other elements of the illustration make the more fundamental assumption that the future will be very similar to the present: that tax laws will not change, that investment performance will be steady, that death will not occur. The one certainty we have is that these assumptions will not prove correct. In particular, the pattern of investment performance will differ from the level rate of return illustrated. Furthermore, even if the average investment performance matched that illustrated, but the annual performance fluctuated from year to year, you would get results different from those illustrated.

## This illustration, therefore, is not intended to predict future results, or to represent the future performance of any financial product.

The Lump Sum option assumes complete withdrawal of funds from the plan on July 1, 2003. Under this option, all of these funds — except for \$25,000 in non-taxable funds — are taxable at ordinary income rates.

The single-life annuity that is illustrated provides payments for the remainder of your life, calculated on your life expectancy alone. Lifetime payments are guaranteed no matter how long you live; but the funds from which the annuity is paid are not directly accessible by you other than through your regular monthly payments. The annual payment is twelve times the monthly payment amount input (\$2,250). A portion of each of the first 260 monthly payments represents part of your non-taxable basis in the plan. The remainder of each payment is taxable at ordinary income tax rates.

The joint life annuity annual payment is twelve times the monthly payment amount input (\$1,840). Payments are guaranteed for your life and the life of your beneficiary, no matter how long you each live; but the funds from which the annuity is paid are not directly accessible by you other than through your regular monthly payments. A portion of each of the first 260 monthly payments represents part of your non-taxable basis in the plan. The remainder of each payment is taxable at ordinary income tax rates.

The IRA Rollover option illustrates the consequences of transferring your entire fund balance to an Individual Retirement Account (IRA). Under this option, no funds are withdrawn from the IRA except for Required Minimum Distributions, after you have turned  $70\frac{1}{2}$ . A total of \$25,000 in non-taxable funds is withdrawn, the assumption being that these amounts are withdrawn first. Funds remaining in a tax-deferred account at the end of the last year illustrated will be subject to taxation when they are eventually withdrawn.

The Partial IRA Rollover option illustrates the consequences of taking part of your fund immediately, and transferring the balance to an Individual Retirement Account (IRA). Under this option, \$250,000 is the amount requested to be withdrawn on July 1, 2003, and no other funds are taken out except for Required Minimum Distributions, which begin the calendar year after you turn  $70\frac{1}{2}$ . A total of \$25,000 in non-taxable funds is withdrawn, the assumption being that these amounts are withdrawn first. Funds remaining in a tax-deferred account at the end of the last year illustrated will be subject to taxation when they are eventually withdrawn.

The Roth Conversion option illustrates the consequences of transferring your entire fund balance first to an Individual Retirement Account (IRA), then converting it to a Roth IRA, since only traditional IRAs can be converted to Roth IRAs. IRA funds become taxable at the time of the Roth conversion, but no subsequent taxes are paid on the Roth IRA funds, either for annual earnings or at withdrawal. All of these funds — except for \$25,000 in non-taxable funds — are taxable at ordinary income rates. Whatever funds are needed to pay taxes are assumed to be withheld from the Roth conversion transaction.

For all options, it is assumed that the initial total balance is \$450,000 and the initial withdrawal date is July 1, 2003. Of this total distributable balance, the non-taxable amount of \$25,000 derives from prior after-tax contributions. All age-related calculations are based on your date of birth, entered as April 4, 1938. Your tax year is assumed to be from January to December, which is normal for most people. Note, however, that since your initial distribution is not occurring at the very beginning or end of a year, periodic payments for annuities and investment returns for the first year shown are for less than a full year and are adjusted accordingly.

In order to facilitate comparison of the alternatives, it is assumed that no funds are actually spent. To the extent that any expenditures would come out of the after-tax fund illustrated, the net effect on taxable earnings and income taxes would be similar (though not necessarily exactly the same) for each alternative. It is assumed that, after the

initial distribution, all distributions occur at the beginning of the tax year, and all taxes are paid at the end of the tax year. One exception to this is the payout of Required Minimum Distributions; after the first such distribution, later ones are assumed to be paid at the end of the tax year. Funds are assumed to accumulate in the existing plan at the rate of 7%, and in the after-tax fund at a pre-tax rate of 7%. IRA Rollover funds are also assumed to accumulate at the rate for new investments, or 7%. It is emphasized that these rates are illustrative only, and do not reflect what you should actually expect to receive on any current or future funds.

Federal income taxes on ordinary income are calculated using the most recent available tax tables, with tax brackets adjusted annually for inflation at a rate of 2.5%. In the first year, any ordinary income arising from distributions is added to your estimated other taxable income of \$75,000. The taxes reported on the illustration reflect the total tax calculated in this manner, minus the tax that would be due on your other income alone. So the taxes reported include only the additional tax due to the distribution, and that due to any taxable earnings on withdrawn funds. The same approach is used in subsequent years, but with the assumption that your other taxable income (i.e., that not associated with distributions from your plan) will change to \$65,000 in the year after the initial distribution and increase thereafter at an annual rate of 3%.

State and local tax rates are assumed to be as follows: 4% on distributions from qualified plans; 5% on ordinary income; 5% on capital gains. All state and local taxes are assumed to be deductible from Federal taxes on ordinary income. To the extent that any long-term capital gains taxes are expected to apply, a flat 20% tax rate is assumed. We also assume that you are not subject to the Alternative Minimum Tax.

The final line on Page 1 of the report shows the after-tax equivalent of the total balance shown in the previous line, using the marginal tax rate calculated for that year (31.600% for the IRA Rollover and 28.750% for the Partial IRA Rollover).