Retirement Income Amount Report
for Mr./Mrs. Rhett I. Erment

Report produced November 25, 2002

How Much Should You Withdraw from Your Retirement Savings This Year?

1. How much do you need?

Your expected monthly cash expenses for the coming retirement year ($) exceed your anticipated income ($4,725) by $710. This is the amount you need to withdraw. An income breakdown appears later in this report.

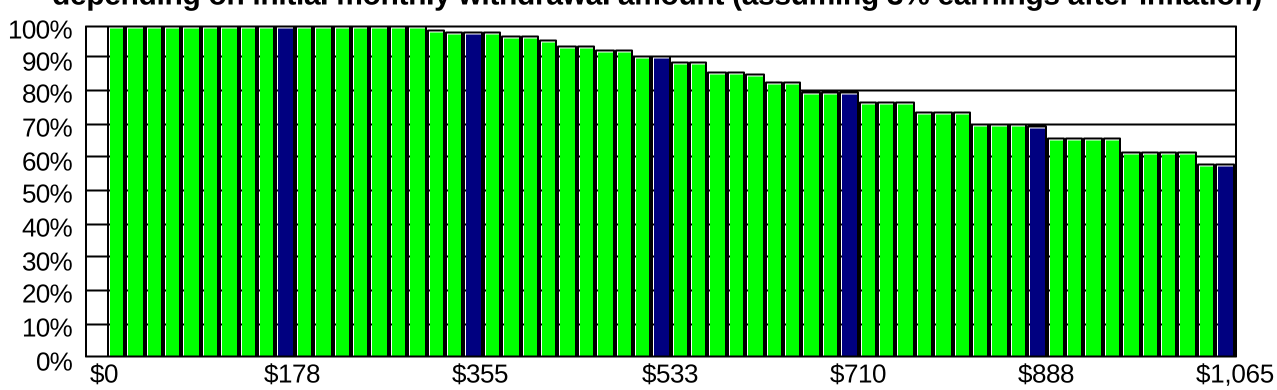
This withdrawal is in addition to the expected cash investment income of $1,600. The assumption is that you will derive a total of $2,310 from your savings and investments even if the expected cash income does not materialize.

2. Can you afford to withdraw $710 a month?

The answer depends largely on three factors: how much you spend during those years, what your savings earn, and how many years you live. None of these items can be predicted with confidence. Below, we estimate the likelihood that, at different starting levels of monthly retirement withdrawals, you will be able to maintain for the rest of your life (and your partner's life) the standard of living those withdrawals provide.

Note that we have assumed that as you get older, your expenses (in real dollars) will probably tend to decrease somewhat. Although most people's medical expenses increase with age, other expenses usually fall, and the overall cost of living tends to drop. The chart takes this into account, as well as a one-third reduction in expenses after the first death, whichever that may be. It also takes into account that in the final year of life expenses often jump sharply because of medical, nursing, and/or hospice care. We also assume a reasonably achievable but not aggressive average annual investment return of 3% a year above inflation.

Estimated likelihood of being able to maintain a given standard of living for life, depending on initial monthly withdrawal amount (assuming 3% earnings after inflation)



As you can see, your ability to maintain this standard of living by taking $710/mo. from your current savings has an estimated 80% chance of lifetime success at a reasonable rate of return. Therefore, this amount can be taken from savings with moderate risk — and you should continue to monitor this in future years.

3. What other options do you have?

There may be many, or there may be few, depending on your circumstances and preferences. Here are some of the ways retired people often deal with gaps in their retirement income or savings:

Take a chance.
You can never be 100% certain of financial security, and so we all take a chance to some degree. Federal and state governments, churches, charitable organizations, family, and friends offer a safety net to most of us. Depending upon your willingness to rely on such possibilities versus your determination to avoid them, you may choose to take other measures now, to simply monitor the situation as time passes, or to let life takes its course.

Tighten your belt.
If you have not examined your household budget recently, you should do so. Most people find that there are ways to cut expenses, sometimes significantly, without making major sacrifices.

Reduce debt, if you have any.
Debts, especially credit card balances and other unsecured debt, can cost you a small fortune in interest. Using savings to pay off high-interest-rate debt almost always makes sense. Consolidating debt (perhaps using home equity) can also generate big savings in interest payments and, sometimes, taxes.

Review your investment strategy.
Discuss investment strategy with an adviser if you have not done so recently. You may find investments that add to your cash flow or offer better long-tern potential. Most professionals advise taking less investment risk as we age, but some people hurt themselves by being more conservative than necessary.

Use annuities to increase cash flow.
Using a portion (but only a portion) of your funds to purchase an annuity will generate a higher monthly cash income than you can usually achieve by investing money yourself, because the insurance company also pays out part of the principal. Plus they guarantee payment for as long as you live.

Make the most of non-income-producing assets.
If you own a home, a business, undeveloped land, gold, or collectibles, such assets may grow in value but probably only detract from your monthly budget. You might sell some such assets or use other techniques (such as leasing, charitable remainder trusts, or a reverse mortgage) to produce cash you can spend or invest.

Think about your life insurance.
There can be valid reasons for retired people to own life insurance, but make sure you don't have more than you need. If you have cash value life insurance policies, you can often get tax-free funds out of them. Check with your advisor.

Get more from your home.
Many retired people are living in much bigger homes or apartments than they still need. They can often raise cash and/or reduce expenses by moving to a smaller place, inviting other family members to move in and share expenses, or taking in boarders.

Work part-time.
A "working retirement" is becoming commonplace. Part-time work , perhaps in a new and interesting kind of business, can supplement income and offer rewarding activity and companionship. Before age 70, though, working can reduce Social Security benefits, so check out whether this would affect you.

Appendix: Monthly Cash Income

	Client - Now	2nd Retiree - Now
Salary, wages and tips	0	0
Investments (balance: $400,000)	800	800
Employer pensions	1,200	0
Social Security benefits	700	650
Monthly annuity payments received	0	425
Rental, business and/or farm income	0	0
Alimony received	0	0
Other regular monthly income	0	150
Total per month	2,700	2,025

Notes:

The Appendix above displays the financial details that you have provided for this analysis. In addition, it is assumed that an annual net rate of return on your savings and investments equal to 3% above inflation will be achievable without your taking undue risk. Such a rate of return is hypothetical, however, and is not intended to represent the performance of any particular product. Your returns may be higher or lower than that rate. Since you have not indicated expense details, we are using the assumption that your expenses, like most people's, will be lower in late retirement than they are in early retirement. We assume that overall expenses will drop 1% a year until age 80, at which point we assume that they level off. We further assume that due to medical or other costs, living expenses will double in the last year of the second person to die, but increase only 50% in the final year of the first person (since the other partner will still be present to help out). Again, your actual experience is likely to differ somewhat from these assumptions.

The various scenarios we have tested take into account the risk of death occuring at various ages. We have used the following assumptions in calculating the likelihood of death at any given age:

Client: Male, born March 3, 1933, Non-Smoker, No health impairments indicated.

2nd Retiree: Female, born April 4, 1940, Smoker, Mortality = 150% of normal.

Mortality Table: 1985-1990 Individual Life Insurance Experience adjusted for smoking status and decreases in mortality over time.