Roth IRA Rollover/Conversion Report for Mr./Mrs. Rhett I. Erment

Report produced January 24, 2003

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

Provided that you meet certain minimal requirements (modified Adjusted Gross Income of $100,000 or less, and a tax filing status other than Married Filing Separately), you are eligible to roll over or convert a traditional Individual Retirement Account (IRA) to a Roth IRA.

The main advantage of the traditional IRA is that no taxes are paid on those funds for as long as they stay in the account.

If you roll over funds to a Roth IRA, or convert your entire IRA to a Roth account, you will have to pay income taxes on this transaction. The principal advantage of the Roth IRA is that all future withdrawals, including any fund earnings, are generally received tax-free. So you pay taxes now, but you avoid what may be much larger taxes in the future.

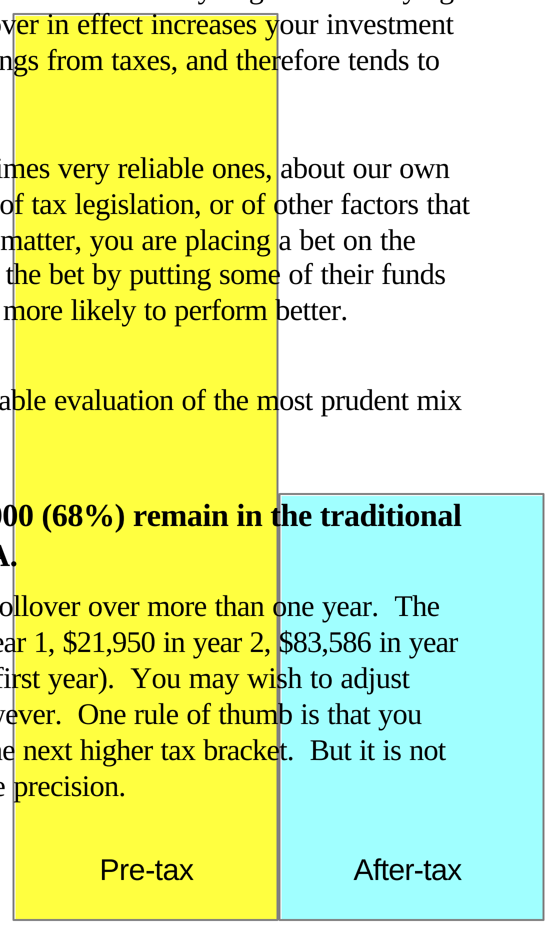
Which is better? In most cases there is no simple answer to this question. The two options are mathematically equivalent, assuming an equivalent level of investment in either plan, the same pattern of future withdrawals, and no change in tax rates over time. But such exact equivalence is unlikely in reality. A desire to postpone all withdrawals from the plan for as long as possible tends to favor the Roth IRA option, since traditional IRAs are subject to required distributions as you get older. Paying some or all of your taxes out of pocket in the year of the rollover in effect increases your investment in the Roth account, enabling you to shelter more future earnings from taxes, and therefore tends to favor the Roth option.

The fact remains that while we can make assumptions, sometimes very reliable ones, about our own behavior, no one can dependably predict the long-term future of tax legislation, or of other factors that may make a difference. In effect, by making a choice in this matter, you are placing a bet on the future. For most people the most prudent strategy is to hedge the bet by putting some of their funds into each alternative, with more going into the one that seems more likely to perform better.

We have run thousands of simulations in order to make a reasonable evaluation of the most prudent mix using the assumptions specified in the attached notes.

The outcomes of those simulations suggest that $340,000 (68%) remain in the traditional IRA, and $160,000 (32%) be rolled over to a Roth IRA.

In order to minimize taxes, it is probably best to spread your rollover over more than one year. The suggested allocation is approximately as follows: $22,850 in year 1, $21,950 in year 2, $83,586 in year 3, and $56,894 in year 4. (Fund growth is reflected after the first year). You may wish to adjust these figures depending upon your actual taxable income, however. One rule of thumb is that you generally should not roll over amounts that will put you into the next higher tax bracket. But it is not possible to determine these amounts in advance with complete precision.



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		Traditional IRA										Roth IRA			
Year	Age	Pre-tax Account Opening Balance	Pre-tax Account Transfers	Pre-tax Account Earnings	Pre-tax Account Closing Balance	Side Fund Opening Balance	Side Fund Transfers	Side Fund Earnings	Side Fund Taxes	Side Fund Closing Balance	Total Closing Balance	Account Opening Balance	Account Transfers	Account Earnings	Account Closing Balance
2002	69	500,000	0	40,000	540,000	180,403	0	14,432	3,897	190,939	730,939	500,000	0	40,000	540,000
2003	70	540,000	0	43,200	583,200	190,939	0	15,275	4,124	202,090	785,290	540,000	0	43,200	583,200
2004	71	583,200	-22,008	46,656	607,848	202,090	22,008	16,167	10,410	229,855	837,703	583,200	0	46,656	629,856
2005	72	607,848	-23,744	48,628	632,732	229,855	23,744	18,388	11,396	260,592	893,324	629,856	0	50,388	680,244
2006	73	632,732	-25,617	50,619	657,734	260,592	25,617	20,847	11,959	295,097	952,831	680,244	0	54,420	734,664
2007	74	657,734	-27,636	52,619	682,717	295,097	27,636	23,608	13,218	333,122	1,015,839	734,664	0	58,773	793,437
2008	75	682,717	-29,813	54,617	707,521	333,122	29,813	26,650	14,597	374,988	1,082,510	793,437	0	63,475	856,912
2009	76	707,521	-32,160	56,602	731,963	374,988	32,160	29,999	15,938	421,210	1,153,173	856,912	0	68,553	925,465
2010	77	731,963	-34,527	58,557	755,993	421,210	34,527	33,697	17,616	471,817	1,227,810	925,465	0	74,037	999,502
2011	78	755,993	-37,241	60,479	779,232	471,817	37,241	37,745	19,490	527,314	1,306,546	999,502	0	79,960	1,079,462
2012	79	779,232	-39,961	62,339	801,610	527,314	39,961	42,185	21,474	587,985	1,389,595	1,079,462	0	86,357	1,165,819
2013	80	801,610	-42,867	64,129	822,872	587,985	42,867	47,039	23,627	654,264	1,477,136	1,165,819	0	93,266	1,259,085
2014	81	822,872	-45,970	65,830	842,731	654,264	45,970	52,341	25,961	726,615	1,569,346	1,259,085	0	100,727	1,359,812
2015	82	842,731	-49,283	67,418	860,867	726,615	49,283	58,129	28,489	805,539	1,666,406	1,359,812	0	108,785	1,468,597
2016	83	860,867	-52,814	68,869	876,922	805,539	52,814	64,443	31,225	891,570	1,768,493	1,468,597	0	117,488	1,586,085
2017	84	876,922	-56,576	70,154	890,501	891,570	56,576	71,326	34,186	985,285	1,875,786	1,586,085	0	126,887	1,712,971
2018	85	890,501	-60,169	71,240	901,572	985,285	60,169	78,823	37,272	1,087,005	1,988,577	1,712,971	0	137,038	1,850,009
2019	86	901,572	-63,941	72,126	909,756	1,087,005	63,941	86,960	40,587	1,197,320	2,107,076	1,850,009	0	148,001	1,998,010
2020	87	909,756	-67,892	72,780	914,644	1,197,320	67,892	95,786	44,145	1,316,852	2,231,497	1,998,010	0	159,841	2,157,850
2021	88	914,644	-72,019	73,172	915,797	1,316,852	72,019	105,348	47,959	1,446,261	2,362,058	2,157,850	0	172,628	2,330,478
2022	89	915,797	-76,316	73,264	912,744	1,446,261	76,316	115,701	52,042	1,586,236	2,498,980	2,330,478	0	186,438	2,516,917
2023	90	912,744	-80,065	73,020	905,698	1,586,236	80,065	126,899	56,209	1,736,992	2,642,690	2,516,917	0	201,353	2,718,270
2024	91	905,698	-83,861	72,456	894,293	1,736,992	83,861	138,959	60,630	1,899,182	2,793,475	2,718,270	0	217,462	2,935,732
2025	92	894,293	-87,676	71,543	878,161	1,899,182	87,676	151,935	65,313	2,073,479	2,951,640	2,935,732	0	234,859	3,170,590
2026	93	878,161	-91,475	70,253	856,939	2,073,479	91,475	165,878	70,263	2,260,570	3,117,508	3,170,590	0	253,647	3,424,237

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		Traditional IRA										Roth IRA			
Year	Age	Pre-tax Account Opening Balance	Pre-tax Account Transfers	Pre-tax Account Earnings	Pre-tax Account Closing Balance	Side Fund Opening Balance	Side Fund Transfers	Side Fund Earnings	Side Fund Taxes	Side Fund Closing Balance	Total Closing Balance	Account Opening Balance	Account Transfers	Account Earnings	Account Closing Balance
2027	94	856,939	-94,169	68,555	**831,325**	2,260,570	94,169	180,846	75,191	**2,460,393**	**3,291,718**	3,424,237	0	273,939	**3,698,176**
2028	95	831,325	-96,666	66,506	**801,165**	2,460,393	96,666	196,831	80,349	**2,673,542**	**3,474,707**	3,698,176	0	295,854	**3,994,031**
2029	96	801,165	-98,909	64,093	**766,349**	2,673,542	98,909	213,883	85,735	**2,900,599**	**3,666,948**	3,994,031	0	319,522	**4,313,553**
2030	97	766,349	-100,835	61,308	**726,821**	2,900,599	100,835	232,048	91,344	**3,142,138**	**3,868,960**	4,313,553	0	345,084	**4,658,637**
2031	98	726,821	-102,369	58,146	**682,598**	3,142,138	102,369	251,371	97,168	**3,398,710**	**4,081,308**	4,658,637	0	372,691	**5,031,328**
2032	99	682,598	-101,880	54,608	**635,325**	3,398,710	101,880	271,897	103,009	**3,669,478**	**4,304,804**	5,031,328	0	402,506	**5,433,834**
After-tax					**466,977**					**3,669,478**	**4,136,455**				**5,433,834**

Pre-tax / After-tax Contribution Report for Mr./Mrs. Rhett I. Erment — Notes

Report produced January 24, 2003

The Roth IRA Rollover/Conversion report illustrates how two different IRA options might compare under a range of hypothetical scenarios.

This illustration uses many assumptions about both the present and the future. Some of these are simplifying assumptions or are intended to be hypothetical, 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 in important ways to the present, including that tax laws (other than tax rates) will not change, and that investment performance will be steady. It is virtually certain that these assumptions will not prove correct. In particular, the pattern of investment performance will differ from the rates 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. Its purpose is purely to compare pre-tax vs. after-tax retirement savings strategies.

WARNING: This illustration assumes, but does not verify, that you are eligible to convert or roll over your IRA into a Roth IRA. If your modified Adjusted Gross Income exceeds $100,000, or you file your tax return as Married Filing Separately, you are not eligible.

No voluntary withdrawals are illustrated.

Under current tax law, only the pre-tax contribution fund is subject to required minimum distributions, generally starting after age 70½. This report illustrates such distributions, assuming use of the find regulations issued by the IRS in April 2002. All required distributions are assumed to occur at the end of the year illustrated. (See section on taxation, below, for more information.)

All funds are assumed to earn a net pre-tax annual return of 8.00% (+/- 5.00%) per year before the retirement age of 62 (+/- 7 years). Upon retirement and thereafter, all funds are assumed to earn a net pre-tax of return of 8.00% (+/- 5.00%) per year. These rates are hypothetical and are not intended to reflect the future performance of any actual product.

Any applicable taxes are assumed to be payable at the end of the illustration year. Federal taxes are calculated based on taxable income, using current federal tax tables, as adjusted for annual inflation of 2.50% (+/- 5.00%). Current taxable income has been entered as $90,000.00, with annual increases until retirement of 3.00% (+/- 5.00%), a decrease at retirement of 30.00% (+/- 20.00%), and annual changes after retirement of 3.00% (+/- 5.00%). Taxes on fund after-tax deposits, where applicable, are calculated as reductions in otherwise taxable income; fund earnings and withdrawals, where applicable, are calculated as additions to other taxable income. Where appropriate, such taxation may overlap more than one tax bracket. The tax filing status is assumed to be Married Filing Jointly for all years. It is assumed that $180,403.20 in income taxes on the rollover are being paid out of pocket. For the traditional IRA option, where no current tax is required, this amount is instead assumed to be assigned to a side fund, where it grows on a taxable basis. In estimating taxes, any effects of taxable income on allowable deductions, exemptions or tax credits have not been taken into account. It is assumed that you are not subject to the Alternative Minimum Tax. You should review all tax assumptions with your personal tax advisor.

To the extent that required minimum distributions exceed voluntary withdrawals (if any), they are indicated as transfers to the side fund. Income taxes on these amounts are also shown in the side fund account.

The final line on the sample ledger shows the after-tax equivalent of any final balances. The final pre-tax balance is still subject to taxes, so that in order to compare it to the after-tax balance, which is generally not subject to taxes, the pre-tax balance must be reduced. Such reductions, where applicable, are assumed to occur at the marginal tax rate in effect if the reduction were spread over a five-year period.

The sample ledger on the preceding pages reflects the basic assumptions outlined in these notes, without regard to the "+/-" variances. However, in determining the pre-tax / after-tax contribution split on the first page of this report, 4000 randomly generated scenarios were tested using the variances described above. Random values were assigned along normal probability distributions, using standard deviations equal to half of the "+/-" amounts. Death dates were also randomized, using mortality tables specially adapted by Still River Retirement Planning Software, Inc., reflecting sex and smoking status as these items were input. In the case of premature death, tax advantages may not be realized, or not to the extent otherwise expected. Both the ratio of scenarios that favored each alternative strategy, and the ratio of the cumulative present values of the final year balances for all scenarios (discounted at an average of the pre-retirement and after-retirement rates of return), were calculated. The final allocation is the average of the two ratios, and in this case came out to 32% for the after-tax account. The ratio that appears on the first page of this report is smaller because it does not reflect the total pre-tax commitment, but rather the lower amount actually contributed after taxes have been paid.

In most cases, the suggested rollover amounts, when spread into future years, exceed the total recommended rollover amount. This occurs because the future amounts reflect interim earnings on the IRA account.