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IRA / Roth IRA Comparison Report for Samuel Sample

Report produced May 21, 2002

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

Many Americans are eligible to make contributions on a pre-tax basis to a traditional Individual Retirement Account (IRA), or on an after-tax basis to a Roth IRA, or some of each.

No federal or state income taxes are paid on pre-tax contributions — the more you contribute, the lower your taxes. And fund growth is not taxed as long as the earnings remain in the fund. But all funds withdrawn are taxable.

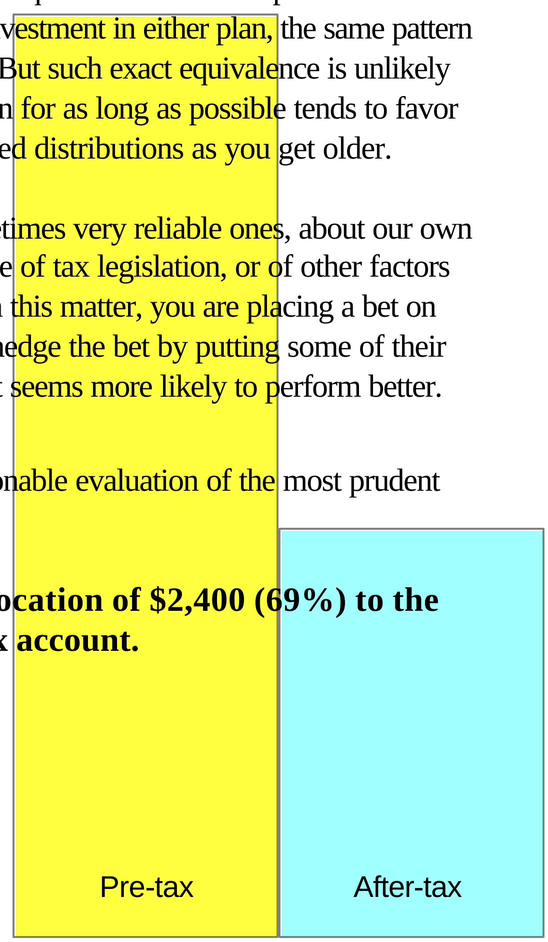
With after-tax contributions, you don't get any tax break on contributions to the plan. But future withdrawals, including any fund earnings, are generally received tax-free.

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 after-tax option, since pre-tax plans are subject to required distributions as you get older.

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 an allocation of $2,400 (69%) to the pre-tax account, and $1,064 (31%) to the after-tax account.



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Sample Pre-tax / After-tax Contribution Report for Samuel Sample

Report produced May 21, 2002

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

		Pre-tax Contribution Strategy										After-tax Contribution Strategy			
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	48	4,000	0	320	**4,320**	0	0	0	0	**0**	**4,320**	4,000	-1,340	213	**2,873**
2003	49	4,320	0	346	**4,666**	0	0	0	0	**0**	**4,666**	2,873	0	230	**3,103**
2004	50	4,666	0	373	**5,039**	0	0	0	0	**0**	**5,039**	3,103	0	248	**3,351**
2005	51	5,039	0	403	**5,442**	0	0	0	0	**0**	**5,442**	3,351	0	268	**3,619**
2006	52	5,442	0	435	**5,877**	0	0	0	0	**0**	**5,877**	3,619	0	290	**3,908**
2007	53	5,877	0	470	**6,347**	0	0	0	0	**0**	**6,347**	3,908	0	313	**4,221**
2008	54	6,347	0	508	**6,855**	0	0	0	0	**0**	**6,855**	4,221	0	338	**4,559**
2009	55	6,855	0	548	**7,404**	0	0	0	0	**0**	**7,404**	4,559	0	365	**4,923**
2010	56	7,404	0	592	**7,996**	0	0	0	0	**0**	**7,996**	4,923	0	394	**5,317**
2011	57	7,996	0	640	**8,636**	0	0	0	0	**0**	**8,636**	5,317	0	425	**5,743**
2012	58	8,636	0	691	**9,327**	0	0	0	0	**0**	**9,327**	5,743	0	459	**6,202**
2013	59	9,327	0	746	**10,073**	0	0	0	0	**0**	**10,073**	6,202	0	496	**6,698**
2014	60	10,073	0	806	**10,878**	0	0	0	0	**0**	**10,878**	6,698	0	536	**7,234**
2015	61	10,878	0	870	**11,749**	0	0	0	0	**0**	**11,749**	7,234	0	579	**7,813**
2016	62	11,749	0	940	**12,689**	0	0	0	0	**0**	**12,689**	7,813	0	625	**8,438**
2017	63	12,689	0	1,015	**13,704**	0	0	0	0	**0**	**13,704**	8,438	0	675	**9,113**
2018	64	13,704	0	1,096	**14,800**	0	0	0	0	**0**	**14,800**	9,113	0	729	**9,842**
2019	65	14,800	0	888	**15,688**	0	0	0	0	**0**	**15,688**	9,842	0	591	**10,433**
2020	66	15,688	0	941	**16,629**	0	0	0	0	**0**	**16,629**	10,433	0	626	**11,059**
2021	67	16,629	0	998	**17,627**	0	0	0	0	**0**	**17,627**	11,059	0	664	**11,722**
2022	68	17,627	0	1,058	**18,685**	0	0	0	0	**0**	**18,685**	11,722	0	703	**12,425**
2023	69	18,685	0	1,121	**19,806**	0	0	0	0	**0**	**19,806**	12,425	0	746	**13,171**
2024	70	19,806	0	1,188	**20,994**	0	0	0	0	**0**	**20,994**	13,171	0	790	**13,961**
2025	71	20,994	-792	1,260	**21,462**	0	792	0	228	**564**	**22,026**	13,961	0	838	**14,799**
2026	72	21,462	-838	1,288	**21,911**	564	838	34	251	**1,186**	**23,097**	14,799	0	888	**15,687**

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Sample Pre-tax / After-tax Contribution Report for Samuel Sample

Report produced May 21, 2002

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

		Pre-tax Contribution Strategy										After-tax Contribution Strategy			
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	73	21,911	-887	1,315	**22,339**	1,186	887	71	275	**1,869**	**24,207**	15,687	0	941	**16,628**
2028	74	22,339	-939	1,340	**22,740**	1,869	939	112	302	**2,617**	**25,358**	16,628	0	998	**17,626**
2029	75	22,740	-993	1,364	**23,112**	2,617	993	157	331	**3,437**	**26,548**	17,626	0	1,058	**18,683**
2030	76	23,112	-1,051	1,387	**23,448**	3,437	1,051	206	361	**4,332**	**27,780**	18,683	0	1,121	**19,804**
2031	77	23,448	-1,106	1,407	**23,749**	4,332	1,106	260	393	**5,305**	**29,054**	19,804	0	1,188	**20,992**
2032	78	23,749	-1,170	1,425	**24,004**	5,305	1,170	318	428	**6,366**	**30,369**	20,992	0	1,260	**22,252**
2033	79	24,004	-1,231	1,440	**24,213**	6,366	1,231	382	464	**7,515**	**31,728**	22,252	0	1,335	**23,587**
2034	80	24,213	-1,295	1,453	**24,371**	7,515	1,295	451	502	**8,759**	**33,130**	23,587	0	1,415	**25,002**
2035	81	24,371	-1,362	1,462	**24,472**	8,759	1,362	526	543	**10,103**	**34,575**	25,002	0	1,500	**26,502**
2036	82	24,472	-1,431	1,468	**24,509**	10,103	1,431	606	586	**11,555**	**36,064**	26,502	0	1,590	**28,093**
2037	83	24,509	-1,504	1,471	**24,476**	11,555	1,504	693	632	**13,120**	**37,596**	28,093	0	1,686	**29,778**
2038	84	24,476	-1,579	1,469	**24,365**	13,120	1,579	787	680	**14,806**	**39,171**	29,778	0	1,787	**31,565**
2039	85	24,365	-1,646	1,462	**24,181**	14,806	1,646	888	729	**16,612**	**40,793**	31,565	0	1,894	**33,459**
2040	86	24,181	-1,715	1,451	**23,917**	16,612	1,715	997	780	**18,544**	**42,461**	33,459	0	2,008	**35,466**
2041	87	23,917	-1,785	1,435	**23,567**	18,544	1,785	1,113	833	**20,609**	**44,175**	35,466	0	2,128	**37,594**
2042	88	23,567	-1,856	1,414	**23,125**	20,609	1,856	1,237	889	**22,812**	**45,937**	37,594	0	2,256	**39,850**
2043	89	23,125	-1,927	1,388	**22,586**	22,812	1,927	1,369	948	**25,160**	**47,746**	39,850	0	2,391	**42,241**
2044	90	22,586	-1,981	1,355	**21,960**	25,160	1,981	1,510	1,004	**27,647**	**49,607**	42,241	0	2,534	**44,775**
2045	91	21,960	-2,033	1,318	**21,244**	27,647	2,033	1,659	1,061	**30,278**	**51,522**	44,775	0	2,687	**47,462**
2046	92	21,244	-2,083	1,275	**20,436**	30,278	2,083	1,817	1,121	**33,056**	**53,492**	47,462	0	2,848	**50,309**
2047	93	20,436	-2,129	1,226	**19,533**	33,056	2,129	1,983	1,182	**35,986**	**55,519**	50,309	0	3,019	**53,328**
2048	94	19,533	-2,147	1,172	**18,559**	35,986	2,147	2,159	1,238	**39,054**	**57,613**	53,328	0	3,200	**56,528**
2049	95	18,559	-2,158	1,114	**17,514**	39,054	2,158	2,343	1,294	**42,261**	**59,775**	56,528	0	3,392	**59,919**
2050	96	17,514	-2,162	1,051	**16,403**	42,261	2,162	2,536	1,351	**45,608**	**62,011**	59,919	0	3,595	**63,515**
2051	97	16,403	-2,158	984	**15,229**	45,608	2,158	2,736	1,407	**49,096**	**64,324**	63,515	0	3,811	**67,325**

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Report produced May 21, 2002

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		Pre-tax Contribution Strategy										After-tax Contribution Strategy			
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
2052	98	15,229	-2,145	914	**13,998**	49,096	2,145	2,946	1,464	**52,723**	**66,720**	67,325	0	4,040	**71,365**
2053	99	13,998	-2,089	840	**12,748**	52,723	2,089	3,163	1,510	**56,465**	**69,214**	71,365	0	4,282	**75,647**
After-tax					**9,083**					**56,465**	**65,548**				**75,647**

The IRA / Roth IRA Comparison report illustrates how two different retirement plan contribution strategies 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.

The illustration assumes a single pre-tax (traditional IRA) contribution of $4,000.00. The comparable after-tax Roth IRA contribution is $2,660.00, after estimated taxes of $1,340.00.

WARNING: The plan contributions illustrated in this report are subject to limits specified in the Internal Revenue Code and related regulations and rulings. The contribution amounts specified have not been tested during the course of the current calculation, and their appearance in this report may not be taken as certification that these contribution amounts are permissible.

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 65 (+/- 10 years). Upon retirement and thereafter, all funds are assumed to earn a net pre-tax of return of 6.00% (+/- 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 $120,000.00, 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. A level state + local marginal rate of 5.00% is assumed to apply for all years to all taxable income. All state and local taxes are assumed to be deductible from federal income taxes. Taxability of transactions is assumed to follow federal rules, although in reality a small number of states have different rules. 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 40% 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.