

John and Jane Sample

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## Your Financial Plan

See Important Disclosure Information section in this Report for explanations of assumptions, limitations, methodologies, etc

**Prepared by:**

Kim Woo  
March 10, 2017

# Disclosures

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## Basic Disclosures

The recommendations above are not guarantees of investment performance or the full attainment of your goal. The results of this plan are based on assumptions for, among other things, historical investment performance, client savings rates, average inflation rates and estimated tax rates. In addition, investment expenses have not been considered in any of the calculations. Therefore, all projections are hypothetical in nature and meant to be used for illustrative purposes only.

The information generated regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

The returns are not reflective of any specific product, and do not include any fees or expenses that may be incurred by investing in specific products. The actual returns of a specific product may be more or less than the returns used in this report. It is not possible to directly invest in an index. Financial forecasts, rates of return, risk, inflation, and other assumptions may be used as the basis for illustrations. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment.

Results may vary with each use and over time.

This Report provides a snapshot of your current financial position and can help you to focus on your financial resources and goals, and to create a plan of action. Because the results are calculated over many years, small changes can create large differences in future results. You should use this Report to help you focus on the factors that are most important to you.

## Investment Disclosures

The projected investment returns are hypothetical in nature and do not reflect actual investment returns in the future.

## Data Integrity

The results of this plan are based, in large part, by the data that you have either entered into the Advizr application or provided to your financial professional. Any underestimations or overestimations of data entered by you could drastically change the recommendations made by your financial professional. It is important to update your financial information frequently.

## Tax & Legal Advice

The creation and results of this plan do not constitute legal or tax advice. You should consult with an attorney or an accountant for advice in those areas.

## **Circular 230**

IRS Circular 230 Notice: Any tax advice provided herein is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed on any taxpayer.

## **Limits of financial modeling**

Market volatility may be more extreme than what is represented by the simulation. The accuracy of the simulation is reduced in periods of market crisis. The simulation does not consider all investments, and those not considered might have characteristics similar or superior to those analyzed in this report.

## **Client Future Situation**

It is possible that your income, cash flow and ability to save may change in the future. The projections, in large part, are based on the data that you have provided. It is important to update your plan frequently to account for any changes in your financial

status. Therefore, the results of this plan today cannot account for future changes in your financial situation.

## **Information that You Provide**

Information that you provided about your assets, financial goals, and personal situation are key assumptions for the calculations and projections in this Report. Please review the Report to verify the accuracy of these assumptions. If any of the assumptions are incorrect, you should notify your financial advisor. Even small changes in assumptions can have a substantial impact on the results shown in this Report. The information provided by you should be reviewed periodically and updated when either the information or your circumstances change.

All asset and net worth information included in this Report was provided by you or your designated agents, and is not a substitute for the information contained in the official account statements provided to you by custodians. The current asset data and values contained in those account statements should be used to update the asset information included in this Report, as necessary.

## Monte Carlo Simulations

Monte Carlo is a process that is used to conduct a statistical analysis of a client's portfolio to determine the probability of the client achieving their retirement goal. In other words, we conduct a large number of trials that simulate random returns on their portfolio, and seek to determine the percentage of trials in which the client was able to fully fund their retirement.

Advizr starts by collecting the asset allocation for each of the client's accounts. We then run a year-by-year simulation of the client's incomes, expenses, and investment returns. Incomes include any source of income entered by the user. Expenses include any source of expense entered by the user, in addition to taxes paid on income and capital gains. To tax investment returns, Advizr applies the income tax rate on 80% of a given year's returns, and the capital gains tax rate on the remaining 20%.

The investment returns for each year are calculated from the return of each asset class for that year and the asset allocation of each account. Asset class returns are generated from a random distribution. Each asset class is linked to an index, or a set of indices, with an assumed mean return and standard deviation. Using a correlation matrix between all the asset classes, and assuming a normal distribution of returns, we generate random returns for each year of the simulation.

Monte Carlo simulations are used to show how variations in rates of return each year can affect your results. A Monte Carlo simulation calculates the results by running it many times, each time using a different sequence of returns. Some sequences of returns will give you better results, and some will give you worse results. These multiple trials provide a range of possible results, some successful and some unsuccessful. The percentage of trials

that were successful is the probability that your assumptions could be successful.

We run 250 trials each time using a different set of asset class returns taken from the distribution. The mean returns, standard deviations and correlation matrix are taken from JP Morgan's published Long-Term Capital Market Assumptions (<https://am.jpmorgan.com/us/institutional/library/ltcma-2016>). At the end of the simulation, we calculate the percentage of trials in which the client was able to cover all of their expenses until the end of their retirement. This is the probability of success.

**IMPORTANT:** The projections or other information generated by this Monte Carlo simulation regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. There is no guarantee that the results generated by this simulation will be achieved or sustained, and results may vary with each use.

## Assumptions

All calculations use asset class returns, not returns of actual investments. The projected return assumptions used in this Report are estimates based on average annual returns for each asset class. The portfolio returns are calculated by weighting individual return assumptions for each asset class according to your portfolio allocation. The portfolio returns assume reinvestment of interest and dividends at net asset value without taxes. All results use assumptions that do not completely or accurately reflect your specific circumstances. No Report has the ability to accurately predict the future. As investment returns, inflation, taxes, and other economic conditions vary from the assumptions, your actual results will vary (perhaps significantly) from those presented in this Report. Advizr does not provide recommendations for any products or securities

## Investment and Insurance Product Fees

Depending on what investment or insurance product you purchase, you may incur front-end charges, annual expenses or performance fees. For certain products, you may incur surrender charges, income taxes and penalties if the product is sold before a pre-determined period. For variable life insurance and annuity products, you will incur mortality and expense fees. None of these expenses have been factored into the projections. If included, fees and other expenses would materially reduce the projections.

## Risk Assessment

Your risk assessment is based on the category and description of risk you chose in the data wizard. It is your responsibility to choose the description that you think fits best with your appetite for risk. Based on your specific circumstances, you must decide the appropriate balance between potential risks and potential returns. Once you have chosen a category of risk, Advizr will suggest a pre-determined asset allocation that has been approved by the broker-dealer you are working with. These suggested allocations are informational only and are only intended to facilitate a discussion between you and your advisor. It will be your responsibility to work with your advisor and determine what the appropriate asset allocation mix may be.

## Risks in Investing

Investing in fixed income securities involves interest rate risk, credit risk, and inflation risk. Interest rate risk is the possibility that bond prices will decrease because of an interest rate increase. When interest rates rise, bond prices and the values of fixed income securities fall. When interest rates fall, bond prices

and the values of fixed income securities rise. Credit risk is the risk that a company will not be able to pay its debts, including the interest on its bonds. Inflation risk is the possibility that the interest paid on an investment in bonds will be lower than the inflation rate, decreasing purchasing power.

Cash alternatives typically include money market securities and U.S. treasury bills. Investing in such cash alternatives involves inflation risk. In addition, investments in money market securities may involve credit risk and a risk of principal loss. Because money market securities are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency, there is no guarantee the value of your investment will be maintained at \$1.00 per share. U.S. Treasury bills are subject to market risk if sold prior to maturity. Market risk is the possibility that the value, when sold, might be less than the purchase price.

Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of most stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

International investing involves additional risks including, but not limited to, changes in currency exchange rates, differences in accounting and taxation policies, and political or economic instabilities that can increase or decrease returns.

## Goal Summary

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### Retirement

 Change your asset allocation to Moderate

### Emergency Fund

 Save an additional \$2,535 per month

### Curly's Education

 Change your asset allocation to Moderate

### Moe's Education

 Change your asset allocation to Moderate

### Insurance

 Buy an additional \$122,593 in life insurance for John Sample

 Buy an additional \$522,593 in life insurance for Jane

### Buy a car

 Save an additional \$2,712 per month in a dedicated investment account

 Change your asset allocation to Moderate

### Other Items

*None*

## Net Worth Report (Summary)

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Net Worth **\$1,450,000**



### Assets

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- Investments \$800,000
- Real Estate \$900,000

Total Assets **\$1,700,000**

### Liabilities

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- Mortgages \$250,000

Total Liabilities **\$250,000**

## Net Worth Report (Detailed)

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### Assets

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• Investments	\$800,000
ABC 401k	500,000
TIAA CREF	300,000
• Real Estate	\$900,000
Home	900,000
Total Assets	<b>\$1,700,000</b>

### Liabilities

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• Mortgages	\$250,000
Home	250,000
Total Liabilities	<b>\$250,000</b>



## Projected Cash Flow

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	'17 - '18	'18 - '19	'19 - '20	'20 - '21	'21 - '22
John's Age	58	59	60	61	62
Jane's Age	58	59	60	61	62
<b>Inflow</b>					
Employment Incomes	\$210,000	\$214,200	\$218,484	\$116,733	\$0
Social Security Incomes	\$0	\$0	\$0	\$0	\$0
Distributions	\$55,840	\$36,887	\$0	\$59,647	\$81,304
Total Inflow	<b>\$265,840</b>	<b>\$251,087</b>	<b>\$218,484</b>	<b>\$176,380</b>	<b>\$81,304</b>
<b>Outflow</b>					
Taxes	\$55,840	\$57,267	\$59,856	\$32,045	\$8,130
Liability Expenses	\$42,000	\$42,000	\$42,000	\$42,000	\$42,000
Living Expenses	\$168,000	\$151,820	\$105,809	\$102,336	\$31,174
Goal Contributions	\$76,160	\$76,424	\$13,733	\$14,008	\$0
Total Outflow	<b>\$342,000</b>	<b>\$327,511</b>	<b>\$221,399</b>	<b>\$190,388</b>	<b>\$81,304</b>
<b>Net Cash Flow</b>	<b>\$76,160</b>	<b>\$76,424</b>	<b>\$2,915</b>	<b>\$14,008</b>	<b>\$0</b>

# Retirement

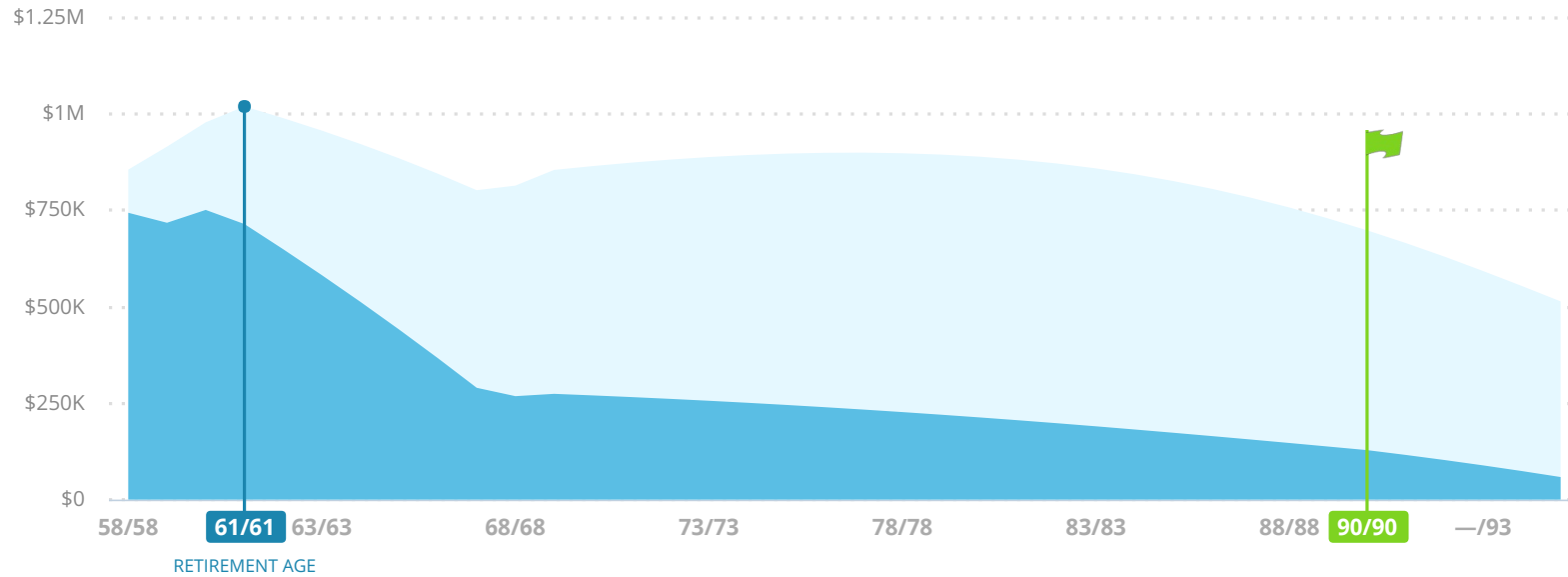
**ACTION NEEDED**

GOAL: Retire at **61**, spend 80% of today's living expenses until 90

## Retirement Assets

Funds at Retirement Start  
**\$1,020,406**

■ CURRENT ■ PROPOSED PLAN



## Action Steps

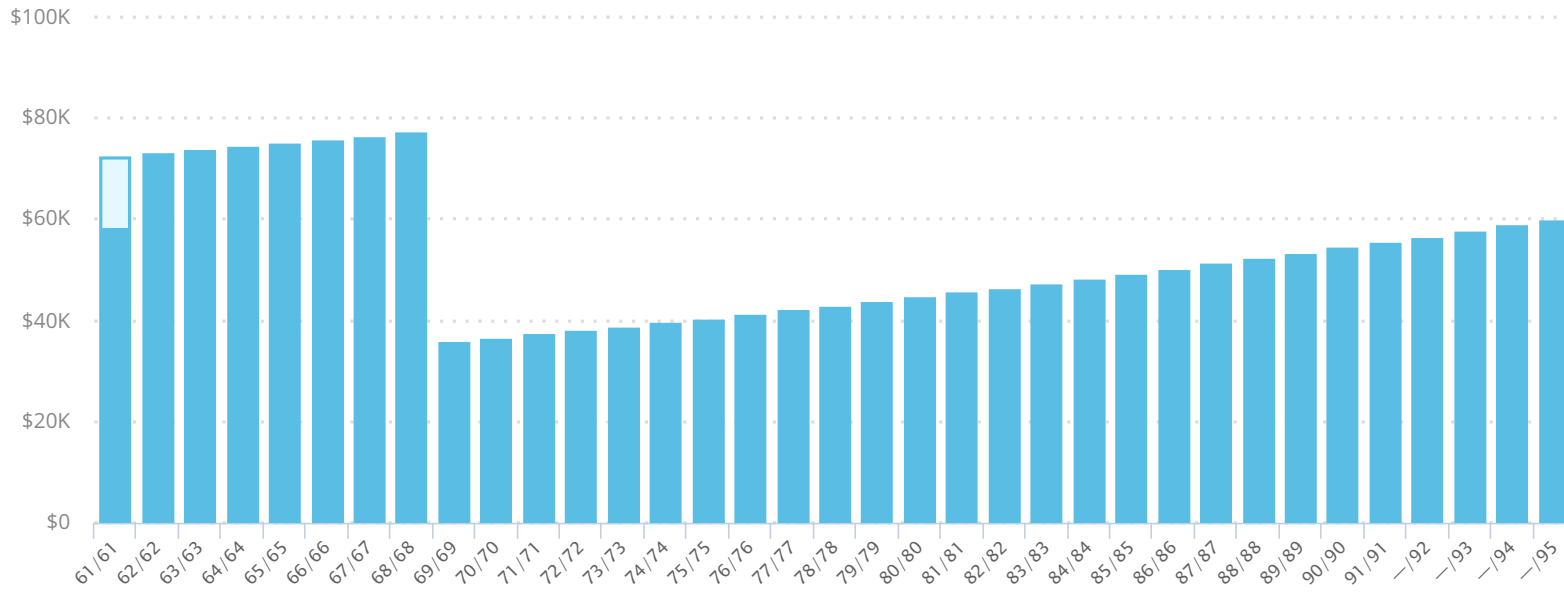
Change your asset allocation to Moderate

## Additional Tips

Consider reducing your expenses for retirement

## Retirement Expenses

EXPENSES COVERED EXPENSES NOT COVERED



## Action Steps

Change your asset allocation to Moderate

## Additional Tips

Consider reducing your expenses for retirement

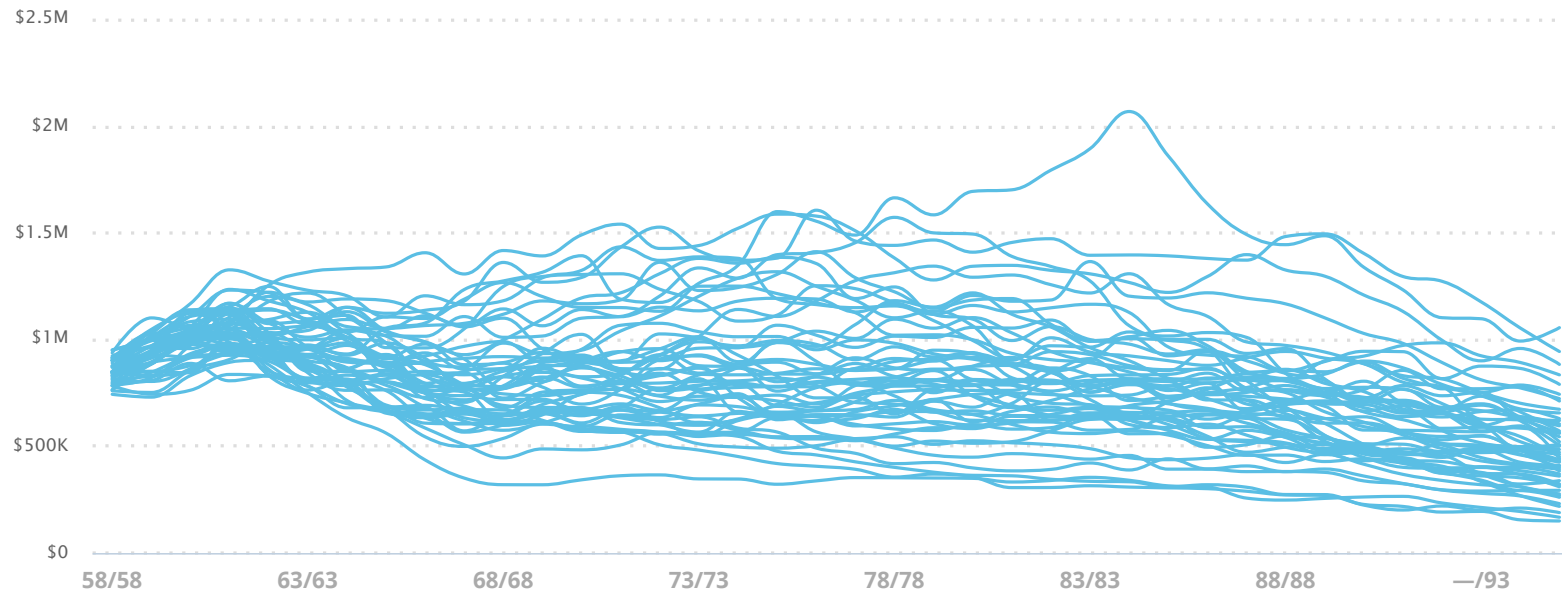
## Monte Carlo

■ SUCCESSFUL TRIALS ■ UNSUCCESSFUL TRIALS



**Probability of Success**  
Target: 70-100%

We ran 250 trials to simulate a range of possible outcomes. **99%** of the time, you were fully funded for your retirement.



Monte Carlo is a process that is used to conduct a statistical analysis of a client's portfolio to determine the probability of the client achieving their retirement goal. The investment returns for each year are calculated from the return of each asset class for that year and the asset allocation of each account. Asset class returns are generated from a random distribution. Each asset class is linked to an index, or a set of indices, with an assumed mean return and standard deviation. Using a correlation matrix between all the asset classes, and assuming a normal distribution of returns, we generate random returns for each year of the simulation. We run 250 trials each time using a different set of asset class returns taken from the distribution. The mean returns, standard deviations and correlation matrix are taken from JP Morgan's published Long-Term Capital Market Assumptions (<https://am.jpmorgan.com/us/institutional/library/lcma-2016>). At the end of the simulation, we calculate the percentage of trials in which the client was able to cover all of their expenses until the end of their retirement. This is the probability of success.

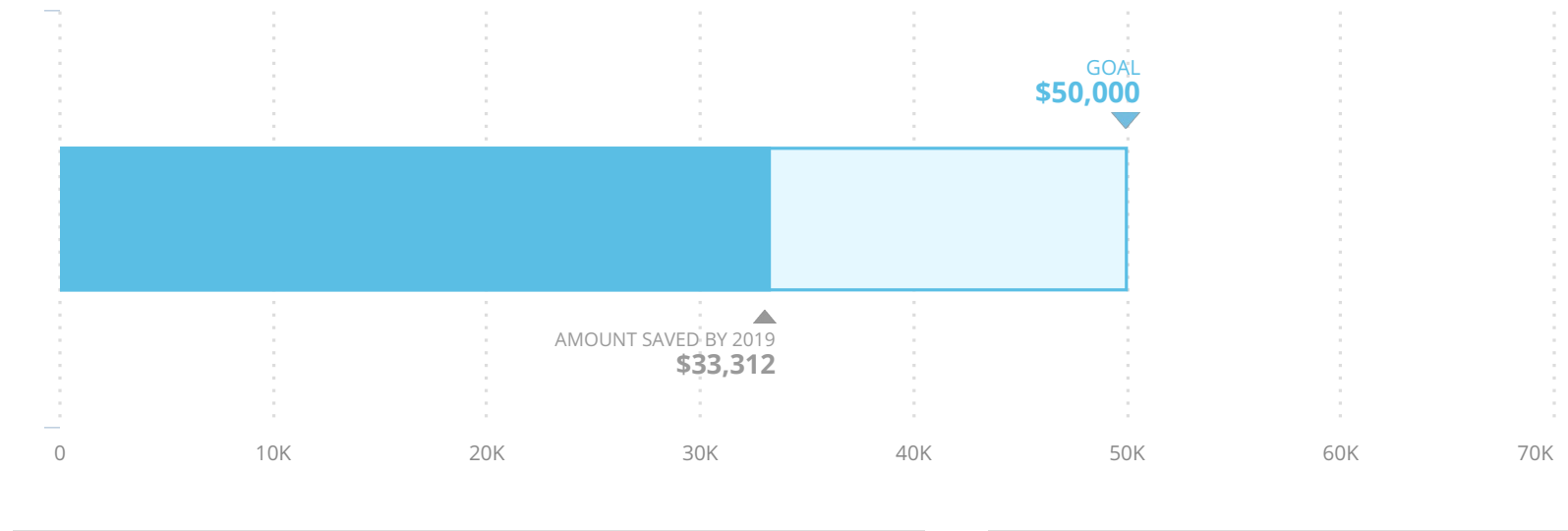
**IMPORTANT:** The projections or other information generated by this Monte Carlo simulation regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. There is no guarantee that the results generated by this simulation will be achieved or sustained, and results may vary with each use. Please note: This analysis must be reviewed in conjunction with the limitations and conditions described via the Disclosure link below. Projections are based on assumptions provided by you and your advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only.

# Emergency Fund

ACTION NEEDED

GOAL: Save **\$50,000** to cover 8 months worth of expenses

## Recommended Reserve Amount



## Action Steps



Save an additional \$2,535 per month

## Additional Tips



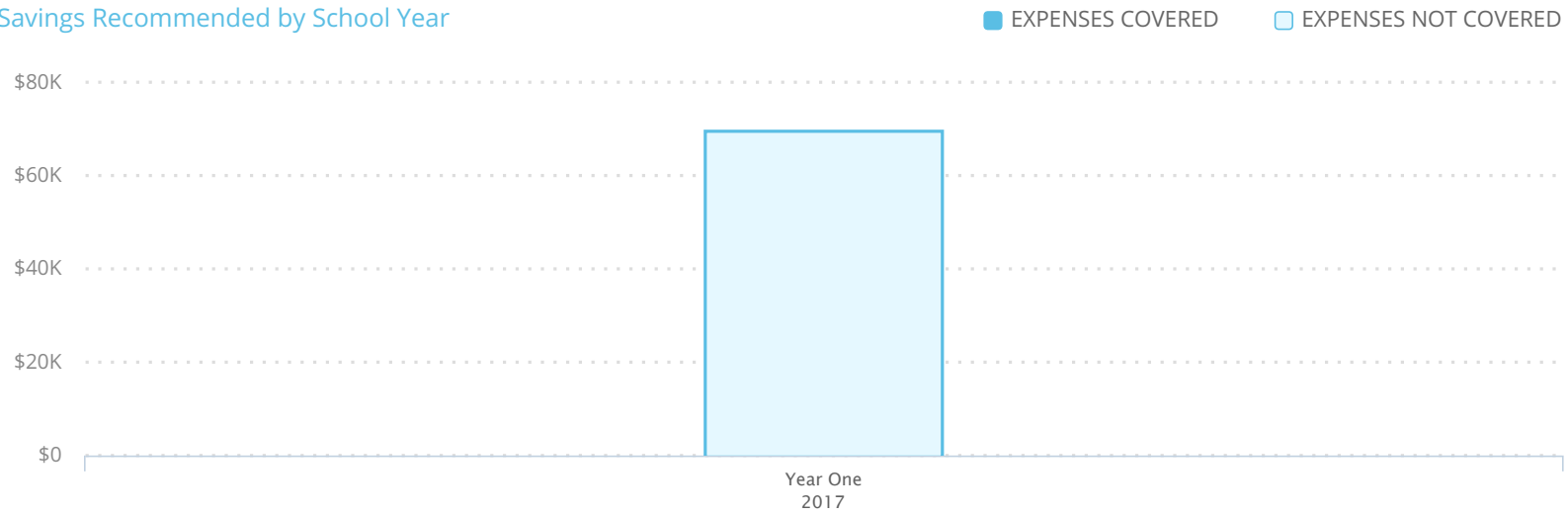
None

# Curly's Education

ACTION NEEDED

GOAL: Already enrolled

## Savings Recommended by School Year



## Action Steps

Change your asset allocation to Moderate

## Additional Tips

None

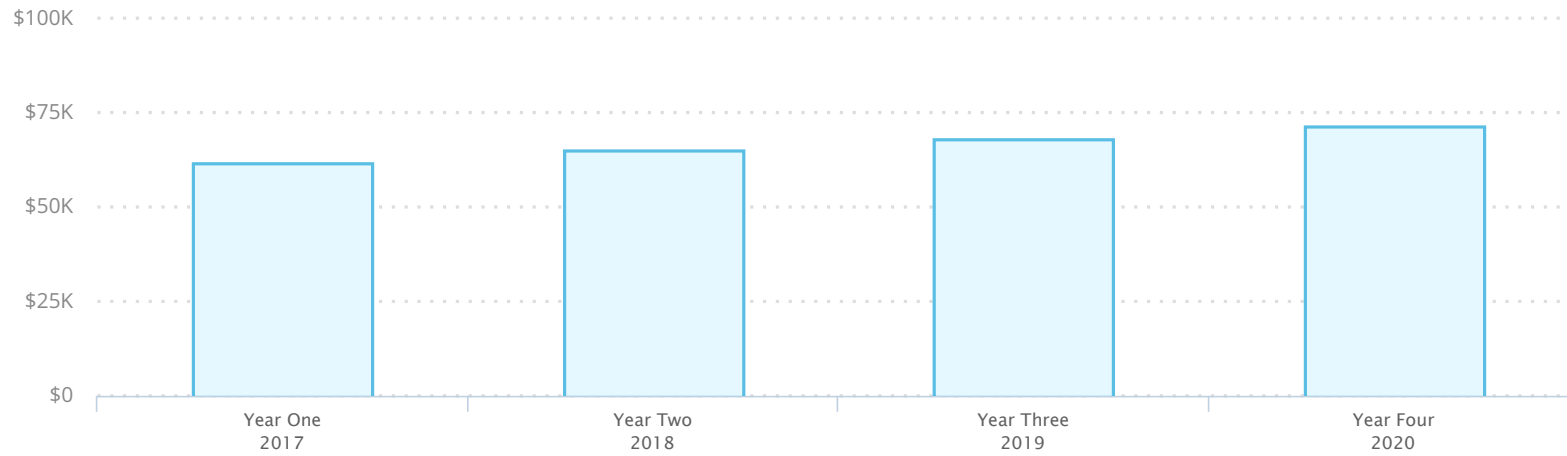
# Moe's Education

ACTION NEEDED

GOAL: Enroll at 18

## Savings Recommended by School Year

EXPENSES COVERED EXPENSES NOT COVERED



## Action Steps

Change your asset allocation to Moderate

## Additional Tips

None

# Insurance

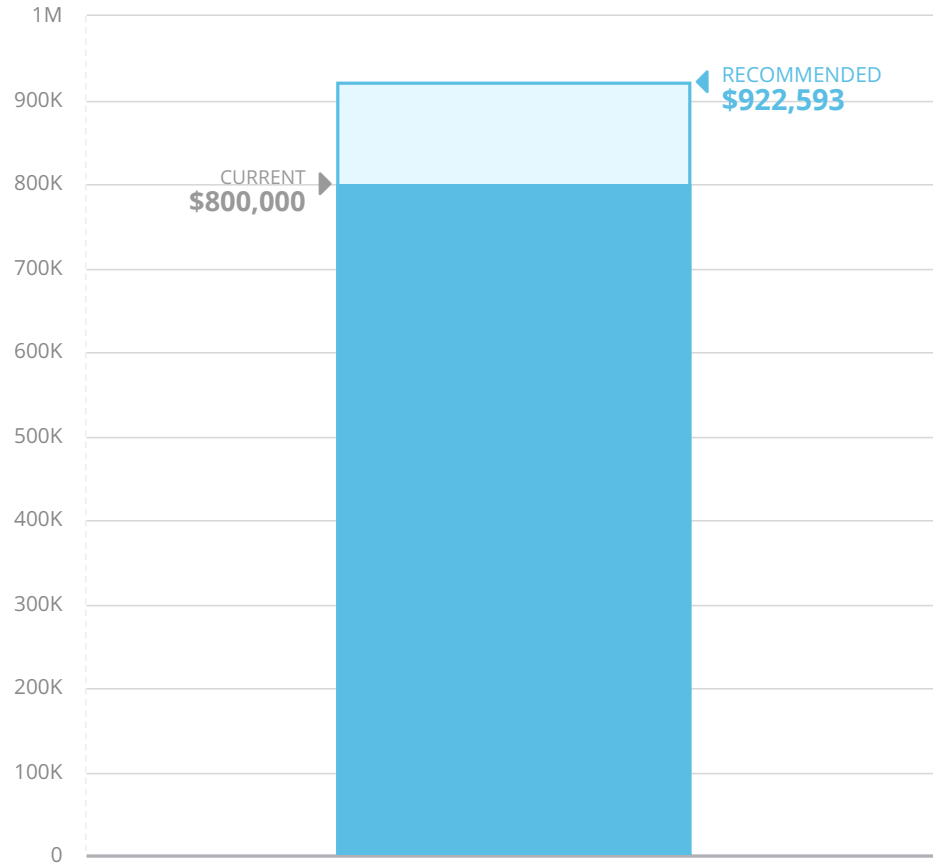
ACTION NEEDED

GOAL: Money needed to cover future expenses & debt

## John

### Life Insurance

CURRENT RECOMMENDED



### Level 1

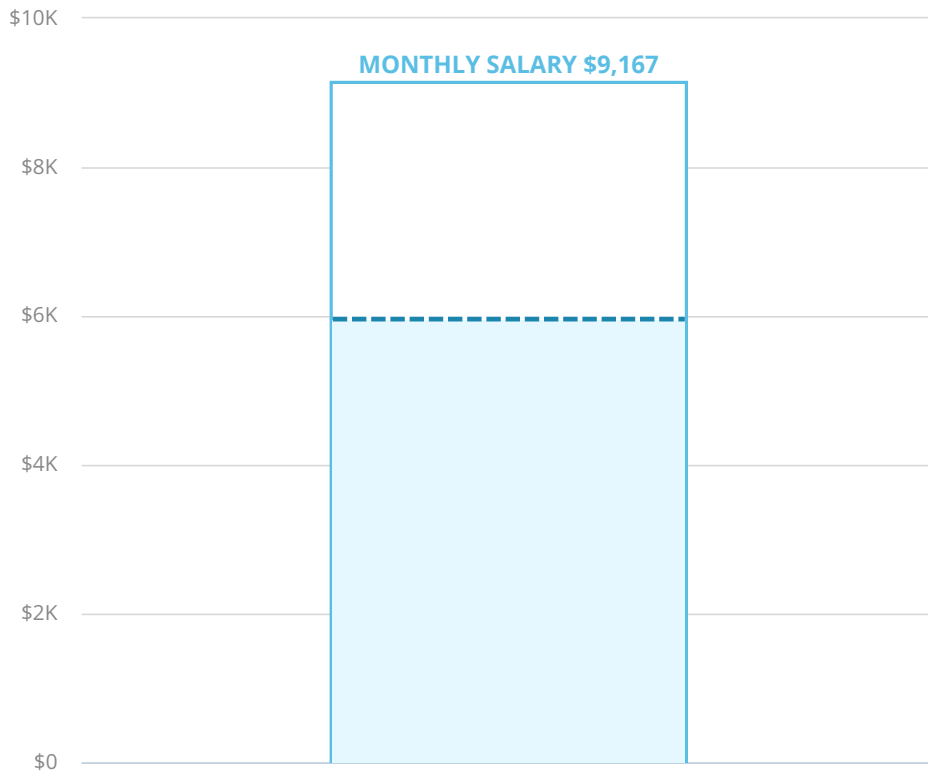
Final Expenses	\$7,500
Mortgage	\$250,000
<b>Total</b>	<b>\$257,500</b>

### Notes

Individuals should have enough life insurance to cover final expenses, which can exceed \$7,500 on average, and to pay off any outstanding debts in order to save loved ones from having to withdraw from savings or sell valuable assets.



## Disability Insurance



**CURRENT COVERAGE**  
\$0

**COVERAGE GAP**  
\$5,958

**COVERAGE LIMIT**  
\$5,958

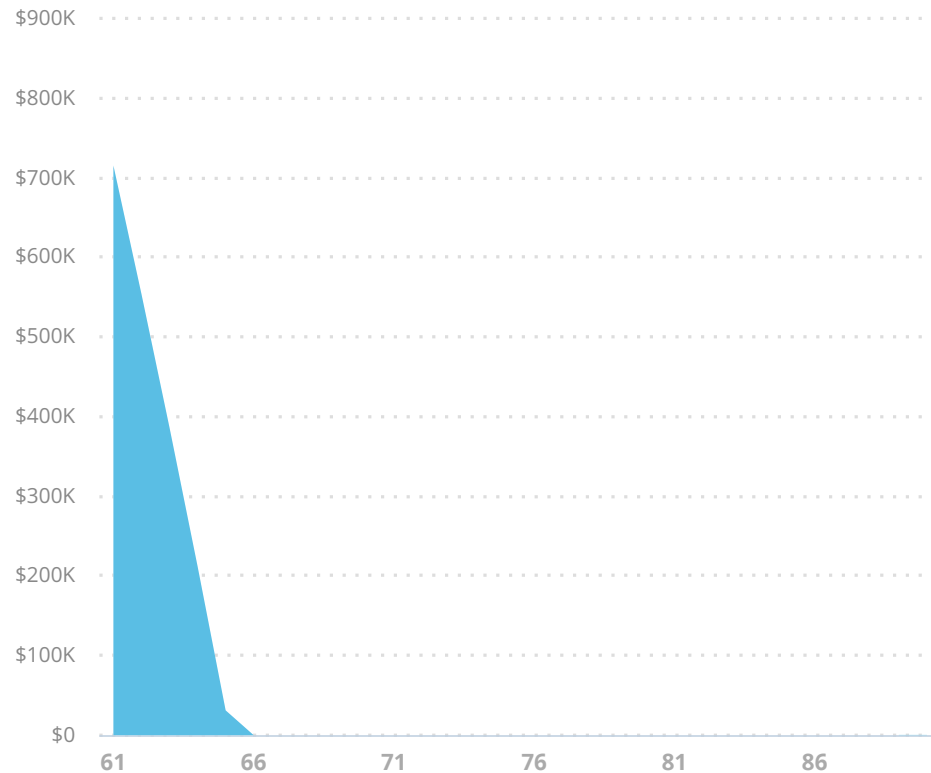
Monthly Salary	\$9,167
Coverage Limit - 65%	\$5,958
Coverage Need	\$5,958

### Notes

At a time when you are unable to work for a living, household expenses actually increase while your income decreases. You could be forced to deplete funds that might have been saved for your retirement years. The goal of disability insurance is to replace the after-tax earnings (replacement ratio) of the insured wage earner and to allow you and your family to maintain your current lifestyle.

## Long Term Care Insurance

■ CURRENT    ▣ WITH ADDITIONAL COVERAGE



Assets to Liquidate	\$1,450,000
Annual LTC Cost	\$80,000
Daily Benefit	\$0
Annual Insurance Cost	\$0

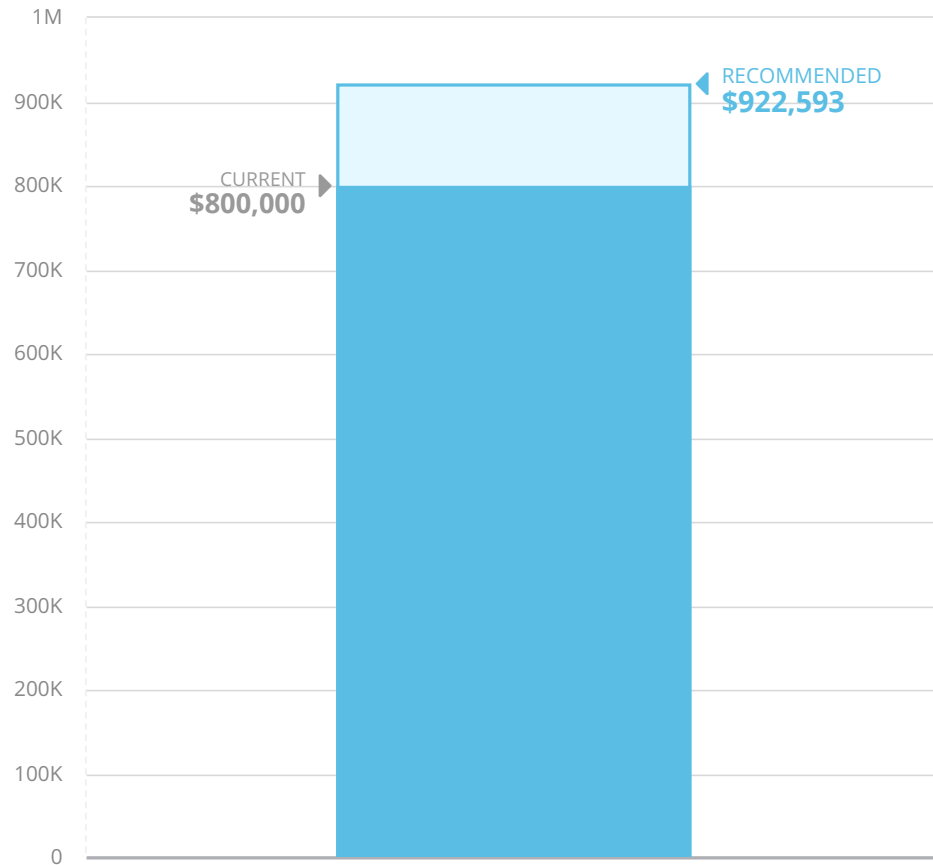
### Notes

70% of seniors 65 or older will need some form of long-term care (LTC) in their lifetime. Lacking LTC coverage can devastate lifetime savings and put one's financial future in jeopardy. This graph shows the impacts of a potential LTC event by simulating insurance premiums, benefits, and LTC costs over time.

# Jane

## Life Insurance

■ CURRENT □ RECOMMENDED



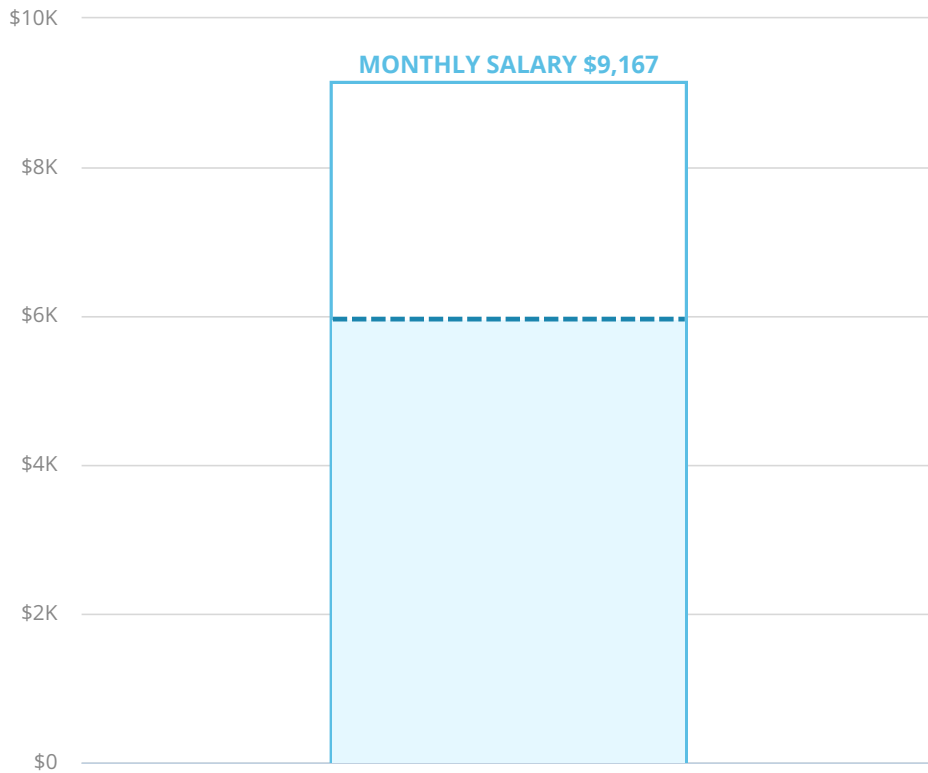
### Level 1

Final Expenses	\$7,500
Mortgage	\$250,000
<b>Total</b>	<b>\$257,500</b>

### Notes

Individuals should have enough life insurance to cover final expenses, which can exceed \$7,500 on average, and to pay off any outstanding debts in order to save loved ones from having to withdraw from savings or sell valuable assets.

## Disability Insurance



**CURRENT COVERAGE**  
\$0

**COVERAGE GAP**  
\$5,958

**COVERAGE LIMIT**  
\$5,958

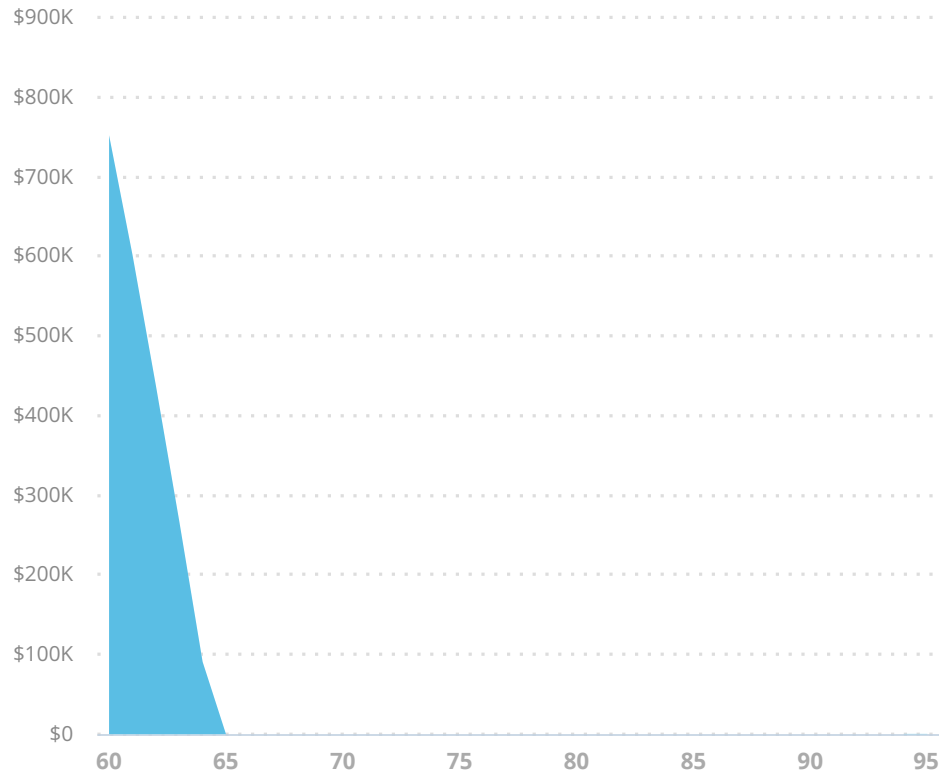
Monthly Salary	\$8,333
Coverage Limit - 65%	\$5,417
<b>Coverage Need</b>	<b>\$5,417</b>

### Notes

At a time when you are unable to work for a living, household expenses actually increase while your income decreases. You could be forced to deplete funds that might have been saved for your retirement years. The goal of disability insurance is to replace the after-tax earnings (replacement ratio) of the insured wage earner and to allow you and your family to maintain your current lifestyle.

## Long Term Care Insurance

CURRENT  WITH ADDITIONAL COVERAGE



Assets to Liquidate	\$1,450,000
Annual LTC Cost	\$80,000
Daily Benefit	\$0
Annual Insurance Cost	\$0

### Notes

70% of seniors 65 or older will need some form of long-term care (LTC) in their lifetime. Lacking LTC coverage can devastate lifetime savings and put one's financial future in jeopardy. This graph shows the impacts of a potential LTC event by simulating insurance premiums, benefits, and LTC costs over time.

## Action Steps



Buy an additional \$122,593 in life insurance for John Sample



Buy an additional \$522,593 in life insurance for Jane



## Additional Tips

None

# Buy a car

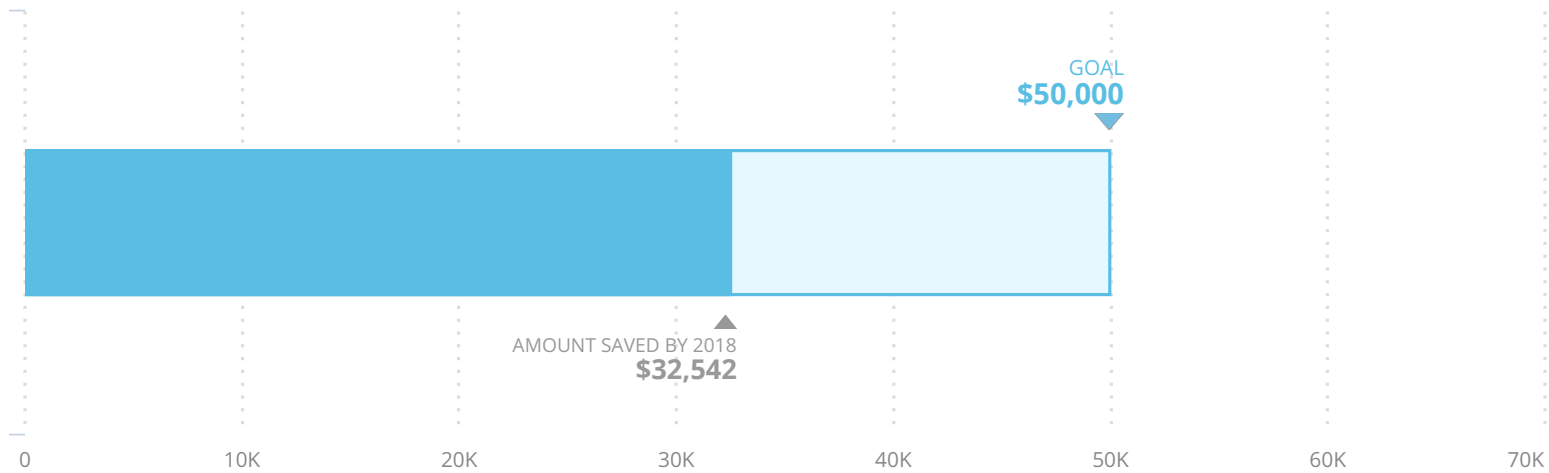
**ACTION NEEDED**

GOAL: Buy a car for \$50,000 in 2019

## Recommended Savings Schedule

EXPENSES COVERED

EXPENSES NOT COVERED



## Action Steps



Save an additional \$2,712 per month in a dedicated investment account



Change your asset allocation to Moderate



## Additional Tips

None

## Projected Assets

Age	Year	Investment Earnings	Contributions	Distributions	Portfolio Value
58/58	2017-2018	40,000	79,459	55,840	863,619
59/59	2018-2019	42,985	79,789	36,886	949,467
60/60	2019-2020	46,557	17,166	0	1,013,000
61/61	2020-2021	49,718	17,509	59,647	1,020,406
62/62	2021-2022	51,020	0	81,304	990,122
63/63	2022-2023	49,506	0	81,997	957,631
64/64	2023-2024	47,881	0	82,703	922,808
65/65	2024-2025	46,140	0	83,424	885,524
66/66	2025-2026	44,276	0	84,159	845,641
67/67	2026-2027	42,282	0	84,909	803,013
68/68	2027-2028	40,150	0	28,274	814,889
69/69	2028-2029	40,744	0	0	855,634
70/70	2029-2030	42,781	0	32,788	865,627
71/71	2030-2031	43,281	0	34,298	874,609
72/72	2031-2032	43,730	0	35,872	882,467
73/73	2032-2033	44,123	0	37,513	889,077
74/74	2033-2034	44,453	0	39,224	894,307
75/75	2034-2035	44,715	0	41,005	898,017
76/76	2035-2036	44,900	0	42,859	900,058
77/77	2036-2037	45,002	0	44,578	900,482
78/78	2037-2038	45,024	0	46,576	898,930
79/79	2038-2039	44,946	0	48,403	895,472

Age	Year	Investment Earnings	Contributions	Distributions	Portfolio Value
80/80	2039-2040	44,773	0	50,280	889,965
81/81	2040-2041	44,498	0	52,204	882,259
82/82	2041-2042	44,112	0	54,173	872,198
83/83	2042-2043	43,609	0	56,184	859,623
84/84	2043-2044	42,981	0	58,232	844,372
85/85	2044-2045	42,218	0	59,904	826,686
86/86	2045-2046	41,334	0	61,561	806,458
87/87	2046-2047	40,322	0	63,192	783,589
88/88	2047-2048	39,179	0	64,784	757,983
89/89	2048-2049	37,899	0	66,323	729,559
90/90	2049-2050	36,477	0	67,196	698,841
91/91	2050-2051	34,942	0	67,942	665,840
92/92	2051-2052	33,292	0	68,542	630,589
93/93	2052-2053	31,529	0	68,970	593,148
94/94	2053-2054	29,657	0	68,440	554,365
95/95	2054-2055	27,718	0	67,684	514,399



# Asset Allocation

