



Steve and Sue Patterson

RETIREMENT ANALYSIS
November 18, 2009

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Retirement Analysis

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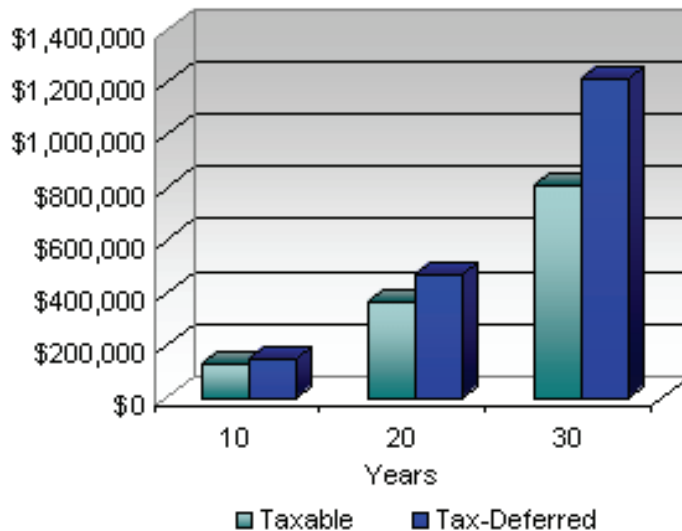


The Power of Tax Deferred Growth

Why pay taxes now if you don't have to? Tax deferred vehicles allow you to make investments today and defer paying taxes on investment growth until the funds are withdrawn. Because it could be many years before you need to tap these funds, this allows for many years of potential investment growth. Contributions made on either a pre-tax or tax deductible basis reduce your current taxable income, potentially allowing you to invest more. As any growth is tax-deferred, your balance will increase more quickly than if you had placed your money in a taxable vehicle. This could result in more accumulation for you and your heirs. The following table and chart show the difference in taxable and tax-deferred growth for a person saving \$9,000 per year over 30 years*:

	10 Years	20 Years	30 Years
Taxable Balance	\$128,434	\$366,708	\$808,758
Tax Deferred Balance	\$144,865	\$472,402	\$1,212,957
Difference	\$16,431	\$105,694	\$404,198
Tax Deferred Balance After Taxes	\$131,149	\$399,301	\$977,218

**Assumes 8.5% Rate of Return, 25% federal tax rate on the growth of the asset. The tax-deferred values exclude the 10% penalty that would be assessed if the values were withdrawn in a lump sum prior to age 59 ½. Lower tax rates on capital gains and dividends would make the return on the taxable investment more favorable, reducing the difference in performance between the two types of accounts. Historically, higher rates of return have been accompanied by higher volatility. Please consider your personal investment horizon and income tax brackets, both current and anticipated when making an investment decision.*



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Popular Tax Deferred Investment Vehicles

There are many tax-deferred investment vehicles available to you. The table below lists some of the most popular:

401(k) Accounts	<p>A defined contribution plan offered by a corporation to its employees affording three main advantages. First, contributions come out of your paycheck before taxes, lowering your taxable income. Second, tax deferred growth and third, the potential for an employer match on your contribution. All withdrawals are subject to ordinary income taxes and may be subject to a 10% federal tax penalty if taken prior to 59 1/2.</p>
403(b) Accounts	<p>Also a defined contribution plan but made available to certain employees of certain non-profit and charitable organizations. Both a 401(k) and 403(b) have a maximum annual contribution in 2010 of \$16,500, and individuals over age 50 can contribute an additional 'catch-up' contribution of \$5,500. All withdrawals are subject to ordinary income taxes and may be subject to a 10% federal tax penalty if taken prior to 59 1/2.</p>
Traditional Individual Retirement Account (IRA)	<p>A Traditional IRA is a retirement investing tool for employed individuals and their non-working spouses that allows annual contributions up to a specified maximum amount. Although all individuals may contribute to a Traditional IRA, whether or not a tax deduction is allowed on the contributed amount depends on the individual's income and whether or not they participate in an employer-sponsored retirement plan. Any withdrawal of tax-deductible amounts is subject to ordinary income taxes, as well as a 10% penalty if taken before age 59 1/2.</p>
Roth IRA	<p>Similar to a Traditional IRA, a Roth IRA allows individuals to contribute up to a specified maximum amount. Unlike a Traditional IRA, an individual's earned income is a factor in determining whether the individual may contribute to this account. All contributions made to a Roth IRA are done on an after tax basis. However, if plan requirements are met, withdrawals of earnings are tax-free.</p>
Annuities	<p>An annuity is a contract between an investor and an insurance company, designed to provide payments to the holder at specific intervals, usually after retirement. Annuities are tax-deferred, meaning that the earnings grow tax-deferred until withdrawal. Money distributed from the annuity will be taxed as ordinary income in the year the money is received. Money withdrawn prior to age 59 1/2 may be subject to a 10% federal tax penalty. Annuities provide no additional tax advantages when used to fund a qualified plan.</p> <p><i>Annuities may have additional charges such as mortality and expense risk charges, annual administrative expenses, and surrender charges. These charges have not been reflected in this analysis, and had they been reflected, the return of the annuity would have been lower.</i></p>

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IRA Rollover

When you leave your employer for a new job, or to enter retirement, you must often decide what to do with any money you have in your employer-sponsored 401(k) or other retirement plan. Since funds in your retirement accounts are generally funded with pre-tax contributions, they will be subject to ordinary income tax upon distribution. Without proper planning, you could lose as much as **40%**¹ of this nest egg to taxes and penalties.

Depending upon your unique situation, you may have four different options to consider:

- Leave assets in your old employer's plan (if allowed by employer)
- Roll the money into your new employer's plan (if available; may be subject to waiting period)
- Withdraw your assets with a **cash distribution**
- **Roll** your assets into another Individual Retirement Account (IRA)

Three ways of taking a \$100,000 plan distribution

Direct Rollover

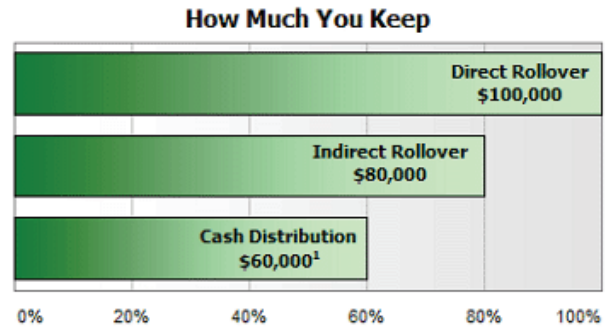
Keep 100% of value of your savings building for the future.

Indirect Rollover

20% mandatory tax withholding by your employer, and burden shifts to you to deposit those funds into another plan within 60 days.

Cash Distribution

Have the check made out to you and keep the cash. Distribution is treated as taxable income and may be subject to early withdrawal penalty of additional 10%.



¹Assumes 30% federal tax bracket and additional 10% penalty due to withdrawals made prior to age 59½

The Benefits of a Direct Rollover

Reduced Taxation

With a direct rollover, you avoid the 20% mandatory withholding imposed on indirect rollovers and there is no immediate federal income tax levied. This results in the entire balance continuing to grow tax deferred until you begin to make withdrawals from your account. Additionally, since the rollover is not considered a taxable distribution, the 10% penalty for early withdrawals (prior to age 59½) is also avoided.

Increased Investment Choices

Many employer sponsored plans are limited in the number and types of options available for investment. In an IRA, you can choose from among a huge range of investment options such as stocks, bonds, mutual funds, money market accounts, fixed interest options or annuities.

Consolidation

The more accounts you have, the more difficult it is to keep track of everything. Consolidating into a single IRA can make tracking balances and monitoring withdrawals easier, while cutting down on paper-work.

Important Notes

Differences in Investments

When considering rolling over your investments, be aware of differences in features, fees and charges, and surrender charges between different investments. These fees and charges have not been included in the discussion above. Had fees and charges been deducted, the values reflected would have been lower.

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Steps Toward Achieving Your Retirement

Step 1 - Determine Your Cost of Retirement

Achieving your retirement goals will not happen automatically. The first step to consider as retirement approaches is to determine your cost of retirement. Your cost of retirement will be affected by many factors. Three of the most significant are:

- **Your monthly retirement living expenses**
A common rule of thumb is somewhere between 70% and 100% of your annual earned income prior to retirement.
- **Your retirement age**
This is the age at which you plan to stop working full time and start accessing your retirement portfolio assets.
- **Your life expectancy**
This will define how many years your retirement costs will continue to be incurred.



Step 2 - Apply Your Income Sources

Once your cost of retirement assumptions have been defined, you can start to look at the income sources that will be available to you in retirement to help offset your retirement costs. Income sources may include among other things:

- Social Security
- Pensions
- Immediate annuity payments

Step 3 - Withdraw from Your Portfolio Assets

Once your available income sources have been applied to your costs of retirement, you can take withdrawals against your portfolio assets to make up the difference. Portfolio assets commonly include:

- Brokerage accounts
- Money Market accounts
- 401(k)s, 403(b)s, and other employer-sponsored retirement accounts
- IRAs
- Annuities

Step 4 - If Necessary, Consider Changes

If you determine that you are not on track to achieve your retirement objectives, you will need to consider making some changes. These changes may include:

- Saving more before you retire
- Redefining your retirement age
- Considering part time employment during retirement
- Spending less during retirement
- Combination of above

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The Cost of Your Retirement

Thinking about retirement is often difficult. It is hard to be concerned about what will happen 20 to 30 years in the future, while you are stretching your resources to meet your needs today. It is however, critical to think about how you will support yourself (and your spouse) during retirement. With people living longer, you may wind up spending as much as a third of your life in retirement. The first step is often looking at what your cost of retirement may be.

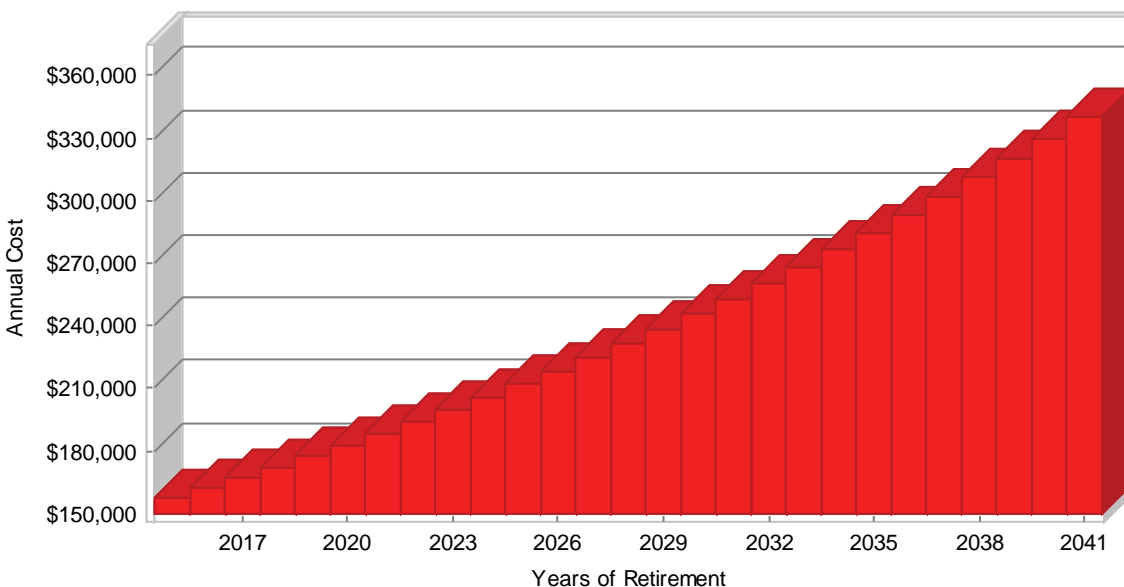
So, what level of expenses can you expect in retirement? Let's assume that you retire at age **65** (2015), have retirement living expenses of **\$11,000** per month (or **\$132,000** each year) and that those expenses grow at **3.00%** each year from now until **Sue** is age **90** (2041). Over the **27** years of your retirement, your living expenses would total **\$6,416,446**.

Retirement lasts from 2015 - 2041 (27 years)
Total Living Expenses \$6,416,446
Total Cost of Retirement \$6,416,446

How high will your expenses grow?

The chart below illustrates the mounting costs of your retirement, showing that you can expect an annual living expense of **\$132,000** today to grow to **\$157,615** in your first year of retirement (2015) and to **\$339,911** in your last year (2041).

The Growing Cost of Living



Keep in Mind...

It does not necessarily cost less to live during retirement. While for some it may be true that they will need less money in retirement, it is not always the case. Health care costs, entertainment and travel expenses are examples of living expenses that can be expected to go up, not down, during your retirement years.

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Your Retirement Income

Although you may no longer be employed full-time during your retirement years, that doesn't mean your income will disappear entirely. Income sources like pension plans, annuities, social security or part-time employment can help offset your retirement living expenses.

During retirement, your income will come from the following sources:

- ▶ Steve's Social Security **\$20,000/yr** 2015-2041

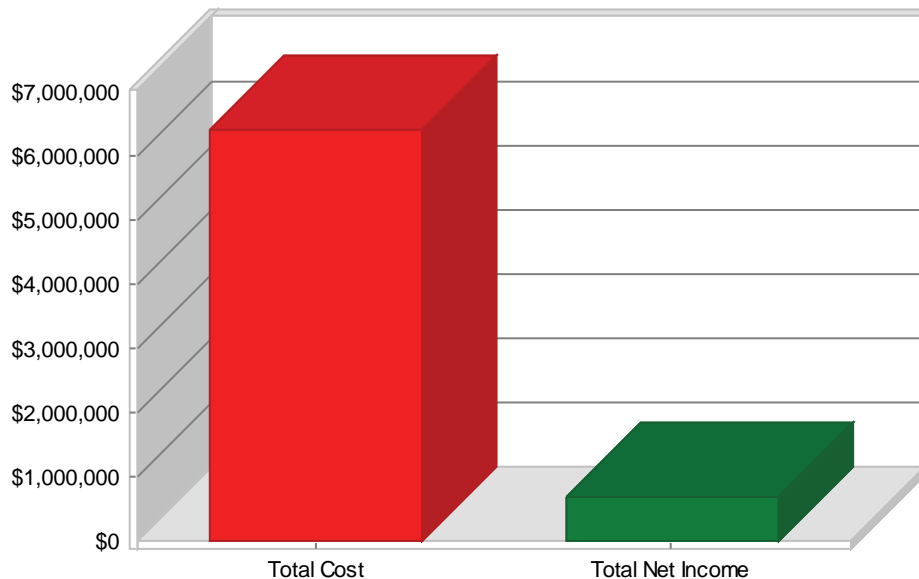
For this analysis, your retirement income will be indexed at an annual rate of 3.00% and be subject to an income tax rate of 25.0%.

Total Cost of Retirement	\$6,416,446
Total Net Retirement Income	\$690,511
Funding Gap	\$5,725,935
Percent Funded by Income	11%

Will your income be enough?

The chart below compares your total retirement expenses to the total net income you expect to receive during the 27 years of your retirement. Based on the income assumptions above, your retirement income alone will not be enough to fully offset your retirement expenses.

Expenses vs. Income



Keep in Mind...

According to an October 2008 update of AARP's report "Staying Ahead of the Curve 2007", 70% of older workers (ages 45-75) intend to keep working during their retirement years.

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Building a Nest Egg

Often, the primary resource you have for offsetting the cost of retirement is the value of your accumulated capital resources. These resources will increase over time through regular savings and growth, resulting in a "nest egg" that may partially or completely offset your cost of retirement. With a total retirement cost of **\$6,416,446**, you would need to amass total capital resources of **\$4,468,874** by the time you retire in **2015** (assuming a rate of return on assets of **5.00%** prior to retirement and **5.00%** during retirement and **25.0%** tax on any withdrawals).

To get an idea of the size of the nest egg that you are likely to accumulate before you retire, we'll take a look at your existing resources and your planned savings.

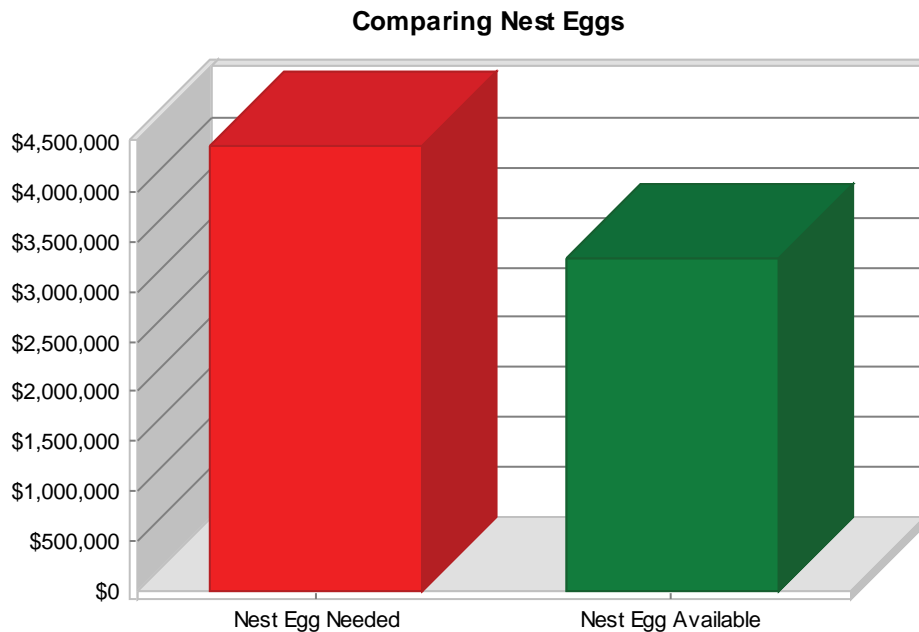
You currently have **\$1,240,400** in qualified savings and **\$1,246,350** in non-qualified savings. These savings will grow at an annual rate of **5.00%** before retirement and at an annual rate of **5.00%** after retirement. When withdrawals are made, those withdrawals will be taxed at a rate of **25.0%**.

From now until retirement you plan to save **\$0** each month in qualified funds and **\$0** in non-qualified funds. These contributions will increase each year by **3.00%**.

Total Cost of Retirement	\$6,416,446
Nest Egg Needed at Retirement	\$4,468,874
Nest Egg Available	\$3,332,483
Percent of Needed Nest Egg	75%

Will your nest egg be enough?

The chart below illustrates the difference between the nest egg you'd need at retirement in order to fully offset your expenses and the nest egg you are likely to accumulate. You can see that your assets alone are not likely to be sufficient to fund your entire retirement.



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The Big Picture

There are two main resources at your disposal with which you can offset the costs of retirement: income and your capital resources. You accumulate capital throughout your pre-retirement years through savings and growth. Additionally, various outside sources may provide you with a steady income during retirement. By comparing the combination of these resources with your expected retirement expenses, you can get a picture of how successful you will be in financing your retirement.

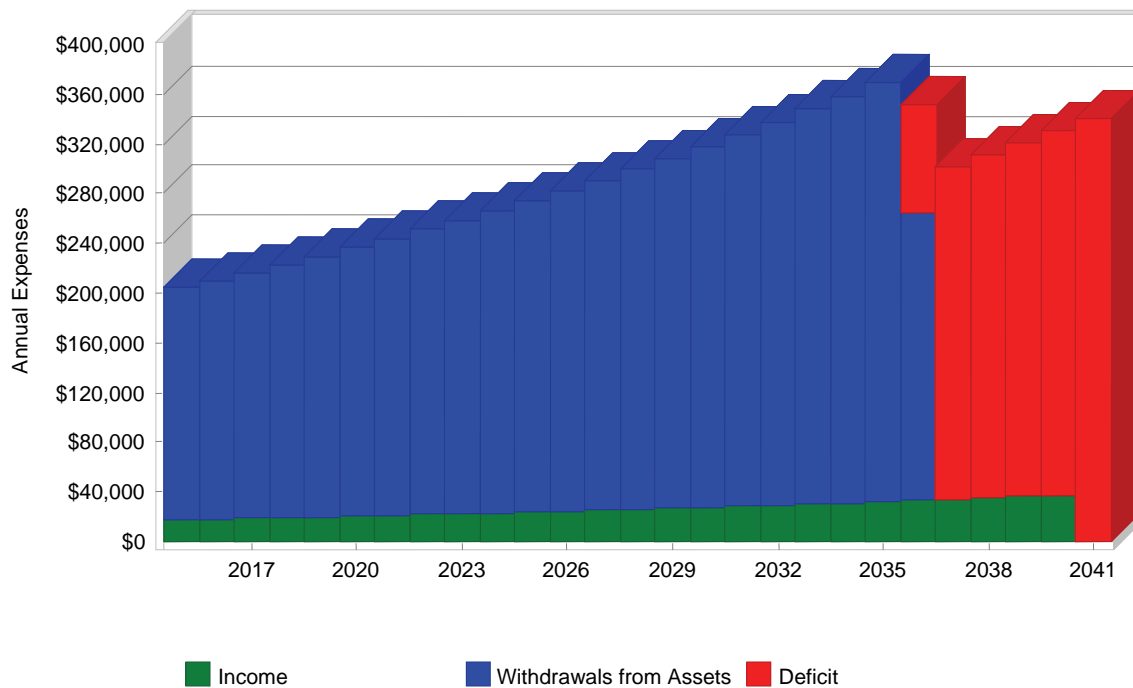
With a Total Retirement Cost of **\$6,416,446** and Total Net Retirement Income Sources of **\$690,511**, you will have a Remaining Need of **\$5,725,935**. Your projected nest egg of **\$3,332,483** will allow for Total Capital Withdrawals of **\$4,180,070** (after taxes). Together, your income and assets will cover **75%** of your total retirement costs, leaving a shortfall of **\$1,545,865**.

Total Cost of Retirement	\$6,416,446
Total Retirement Income Sources	\$690,511
Total Capital Withdrawals	\$4,180,070
Shortfall	\$1,545,865
Unfunded Years	6

Will you make it?

The chart below illustrates how your income sources and capital resources would be used to fund the annual expenses of your retirement. Years in which a shortfall exists (i.e. when you don't have enough funds to cover your living expenses), show a deficit value in red. Based on the assumptions made in this analysis, your current savings and expected income will not be enough to support you through your retirement.

Your Retirement Living Expenses



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Options for Meeting Your Retirement

Based upon the assumptions utilized in this analysis, your current retirement goals are not projected to be achieved. What's important is that you are taking a look at your retirement now, before it's too late. There are several options which may - by themselves or in combination with each other - allow you to achieve your retirement goals, they include:

Save More Before You Retire

Take a look at your current expenses. Are there any which can be reduced or eliminated? By reducing your expenses now, you can save more of your income, which will in turn allow your savings to grow at a faster pace.

*To cover your funding shortfall solely by saving more before you retire (through personal or employer contributions), you would need to save an additional **\$6,988** - for a total of **\$6,988 per month** - and increase that monthly amount by **3.00%** each year until you retire. This solution assumes that your accumulated funds will grow at a rate of **5.00%** each year.*

Increase Monthly Savings by \$6,988 (to \$6,988 per month)
Total Cost of Retirement \$6,416,446
Total Retirement Funding \$6,416,528
Percent Funded 100%

Spend Less During Retirement

If you can't increase your nest egg sufficiently to completely fund your shortfall, you should consider reducing your monthly retirement living expenses. When combined with other funding options, you may be able to live more efficiently without significantly impacting your retirement lifestyle.

*To make up your funding shortfall solely by reducing your expenses, you would need to reduce your monthly living expenses by **\$1,583**, to **\$9,417** per month. This solution assumes that your expenses will grow at a rate of **3.00%** each year.*

Reduce Monthly Expenses by \$1,583 (to \$9,417 per month)
Total Cost of Retirement \$5,493,061
Total Retirement Funding \$5,493,682
Percent Funded 100%

Retire Later

One additional option is to examine delaying your retirement. By delaying the year in which you retire, you increase the size of your nest egg and reduce your overall cost of retirement at the same time.

*You may be able to cover your funding shortfall by delaying your retirement by **4** years, until age **69**. This assumes you continue your savings, at the previously defined levels, up to this new retirement age.*

Delay Retirement 4 years (until age 69)
Total Cost of Retirement \$5,757,044
Total Retirement Funding \$6,059,996
Percent Funded 105%

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Retirement Income Details

Year	Age	Client SS Income	Total Income	Income Taxes @25.0%	Net Income
2015	65/64	\$23,881	\$23,881	\$5,970	\$17,911
2016	66/65	24,597	24,597	6,149	18,448
2017	67/66	25,335	25,335	6,334	19,001
2018	68/67	26,095	26,095	6,524	19,571
2019	69/68	26,878	26,878	6,720	20,158
2020	70/69	27,685	27,685	6,921	20,764
2021	71/70	28,515	28,515	7,129	21,386
2022	72/71	29,371	29,371	7,343	22,028
2023	73/72	30,252	30,252	7,563	22,689
2024	74/73	31,159	31,159	7,790	23,369
2025	75/74	32,094	32,094	8,024	24,070
2026	76/75	33,057	33,057	8,264	24,793
2027	77/76	34,049	34,049	8,512	25,537
2028	78/77	35,070	35,070	8,768	26,302
2029	79/78	36,122	36,122	9,031	27,091
2030	80/79	37,206	37,206	9,302	27,904
2031	81/80	38,322	38,322	9,581	28,741
2032	82/81	39,472	39,472	9,868	29,604
2033	83/82	40,656	40,656	10,164	30,492
2034	84/83	41,876	41,876	10,469	31,407
2035	85/84	43,132	43,132	10,783	32,349
2036	86/85	44,426	44,426	11,107	33,319
2037	87/86	45,759	45,759	11,440	34,319
2038	88/87	47,131	47,131	11,783	35,348
2039	89/88	48,545	48,545	12,136	36,409
2040	90/89	50,002	50,002	12,501	37,501
2041	91/90	0	0	0	0
			920,687	230,176	690,511

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Pre-Retirement Savings and Growth

Non-Qualified Savings:	\$0/yr	Non-Qualified Capital Resources Today:	\$1,246,350
Qualified Savings:	\$0/yr	Qualified Capital Resources Today:	\$1,240,400
Employer Contributions:	\$0/yr	Total Capital Resources Today:	\$2,486,750
Total Annual Savings:	\$0/yr		

Year	Age	BOY Capital Resources	Savings	Capital Resources after Savings	Growth at 5.00%	EOY Capital Resources
2009	59/58	\$2,486,750	\$0	\$2,486,750	\$124,338	\$2,611,088
2010	60/59	2,611,088	0	2,611,088	130,554	2,741,642
2011	61/60	2,741,642	0	2,741,642	137,082	2,878,724
2012	62/61	2,878,724	0	2,878,724	143,936	3,022,660
2013	63/62	3,022,660	0	3,022,660	151,133	3,173,793
2014	64/63	3,173,793	0	3,173,793	158,690	3,332,483

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Retirement Capital Resources Details

Capital Resources Today: \$2,486,750
 Pre-Retirement Growth and Savings: \$845,733
Total Resources at Retirement: \$3,332,483

Year	Age	BOY Capital Resources	Net Withdrawals to fund Expenses	Taxation on Withdrawals at 25.0%	Total Withdrawal of Capital	Total Capital after Withdrawal	Growth at 5.00%	EOY Capital Resources
2015	65/64	\$3,332,483	\$139,704	\$46,568	\$186,272	\$3,146,211	\$157,311	\$3,303,522
2016	66/65	3,303,522	143,895	47,965	191,860	3,111,662	155,583	3,267,245
2017	67/66	3,267,245	148,213	49,404	197,617	3,069,628	153,481	3,223,109
2018	68/67	3,223,109	152,659	50,886	203,545	3,019,564	150,978	3,170,542
2019	69/68	3,170,542	157,239	52,413	209,652	2,960,890	148,045	3,108,935
2020	70/69	3,108,935	161,955	53,985	215,940	2,892,995	144,650	3,037,645
2021	71/70	3,037,645	166,814	55,605	222,419	2,815,226	140,761	2,955,987
2022	72/71	2,955,987	171,818	57,273	229,091	2,726,896	136,345	2,863,241
2023	73/72	2,863,241	176,973	58,991	235,964	2,627,277	131,364	2,758,641
2024	74/73	2,758,641	182,283	60,761	243,044	2,515,597	125,780	2,641,377
2025	75/74	2,641,377	187,751	62,584	250,335	2,391,042	119,552	2,510,594
2026	76/75	2,510,594	193,383	64,461	257,844	2,252,750	112,638	2,365,388
2027	77/76	2,365,388	199,184	66,395	265,579	2,099,809	104,990	2,204,799
2028	78/77	2,204,799	205,161	68,387	273,548	1,931,251	96,563	2,027,814
2029	79/78	2,027,814	211,316	70,439	281,755	1,746,059	87,303	1,833,362
2030	80/79	1,833,362	217,655	72,552	290,207	1,543,155	77,158	1,620,313
2031	81/80	1,620,313	224,185	74,728	298,913	1,321,400	66,070	1,387,470
2032	82/81	1,387,470	230,909	76,970	307,879	1,079,591	53,980	1,133,571
2033	83/82	1,133,571	237,837	79,279	317,116	816,455	40,823	857,278
2034	84/83	857,278	244,972	81,657	326,629	530,649	26,532	557,181
2035	85/84	557,181	252,321	84,107	336,428	220,753	11,038	231,791
2036	86/85	231,791	173,843	57,948	231,791	0	0	0
2037	87/86	0	0	0	0	0	0	0
2038	88/87	0	0	0	0	0	0	0
2039	89/88	0	0	0	0	0	0	0
2040	90/89	0	0	0	0	0	0	0
2041	91/90	0	0	0	0	0	0	0

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Retirement Needs vs. Resources Details

Year	Age	Living Expenses @3.00%	Income Applied Toward Needs	Capital Withdrawal to Meet Needs	Remaining Need (Deficit)
2015	65/64	\$157,615	\$17,911	\$139,704	\$0
2016	66/65	162,343	18,448	143,895	0
2017	67/66	167,214	19,001	148,213	0
2018	68/67	172,230	19,571	152,659	0
2019	69/68	177,397	20,158	157,239	0
2020	70/69	182,719	20,764	161,955	0
2021	71/70	188,200	21,386	166,814	0
2022	72/71	193,846	22,028	171,818	0
2023	73/72	199,662	22,689	176,973	0
2024	74/73	205,652	23,369	182,283	0
2025	75/74	211,821	24,070	187,751	0
2026	76/75	218,176	24,793	193,383	0
2027	77/76	224,721	25,537	199,184	0
2028	78/77	231,463	26,302	205,161	0
2029	79/78	238,407	27,091	211,316	0
2030	80/79	245,559	27,904	217,655	0
2031	81/80	252,926	28,741	224,185	0
2032	82/81	260,513	29,604	230,909	0
2033	83/82	268,329	30,492	237,837	0
2034	84/83	276,379	31,407	244,972	0
2035	85/84	284,670	32,349	252,321	0
2036	86/85	293,210	33,319	173,843	86,048
2037	87/86	302,006	34,319	0	267,687
2038	88/87	311,067	35,348	0	275,719
2039	89/88	320,399	36,409	0	283,990
2040	90/89	330,011	37,501	0	292,510
2041	91/90	339,911	0	0	339,911
		6,416,446	690,511	4,180,070	1,545,865

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Results Summary

This report summarizes the results of the analyses for Steve and Sue Patterson. It provides the information that is the basis for the "takeaway" message. All of the details concerning the process of how these results were arrived at are contained in the specific chapters for each selected analysis.

Family Information

Client: Steve and Sue Patterson
Address: 123 Main St. H: (610) 345-5567
Bryn Mawr, PA 19010

Client: Steve Patterson Spouse: Sue Patterson
Date of Birth: 1/1/1950 Date of Birth: 1/2/1951
Current Age: 59 Current Age: 58

Children	Gender	Age	Date of Birth
Bill Patterson	Male	19	1/1/1990

Advisor Information

Prepared By: Susan Black

Analysis Performed

- Retirement Analysis

Result Summary

Total Cost of Retirement	\$6,416,446
Total Retirement Income Sources	\$690,511
Total Capital Withdrawals	\$4,180,070
Shortfall	\$1,545,865
Unfunded Years	6
Percent Funded by Income	11%

This retirement analysis looks at the projected cost of your retirement, and compares that to your expected income sources, and the capital resources you may be accumulating for retirement. Based upon your assumptions for retirement age and duration, the analysis determines whether or not you are projected to have enough resources to cover your assumed cost of retirement.

Based upon the assumptions utilized in this analysis, your current retirement goal is projected to have a shortfall. This projected shortfall is estimated to result in 6 unfunded years in retirement. Changes to your retirement goal assumptions may be necessary. There are several options which may - by themselves or in combination with each other - allow you to achieve your retirement goals, they include:

- ▶ Increase Monthly Savings by **\$6,988** (to **\$6,988** per month)
- ▶ Reduce Monthly Expenses by **\$1,583** (to **\$9,417** per month)
- ▶ Delay Retirement **4 years** (until age **69**)

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Information Summary

The following financial information and assumptions were used in the preparation of this analysis.

Family Information

Client: Steve and Sue Patterson
Address: 123 Main St.
Bryn Mawr, PA 19010

H: (610) 345-5567

Client: Steve Patterson
Date of Birth: 1/1/1950
Current Age: 59

Spouse: Sue Patterson
Date of Birth: 1/2/1951
Current Age: 58

Children	Gender	Age	Date of Birth
Bill Patterson	Male	19	1/1/1990

Information Summary

Basic Assumptions

Analysis for: Steve Patterson
Date of Birth: 1/1/1950
Current Age: 59

Retirement Begins at Age: 65 (2015)

Retirement Ends at Age: 90 (2041)

Financial Assumptions

Assets Grow at: 5.00%
Income is Indexed at: 3.00%
Expenses Grow at: 3.00%
Savings Increase by: 3.00%

Withdrawals are Taxed at: 25.0%
Income is Taxed at: 25.0%
Retirement Living Expenses: \$11,000/month
(\$132,000/yr)

Assets & Savings

Qualified Assets	Current Value
Miscellaneous Assets	\$1,240,400
Total	\$1,240,400

Non-Qualified Assets	Current Value
Managed Account (Taxable Investment)	\$1,380,700
Total	\$1,246,350

Annual Pre-Retirement Savings

None

Income Sources

	From	Until	Annual Amount
Steve's Social Security	2015	2041	\$20,000

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