# Table of Contents

# Disclaimer

The following report is a diagnostic tool intended to review your current financial situation and suggest potential planning ideas and concepts that may be of benefit. The purpose of the report is to illustrate how accepted financial and estate planning principles may improve your current situation.

This report is based upon information and assumptions provided by you (the client). This report provides broad and general guidelines on the advantages of certain financial planning concepts and does not constitute a recommendation of any particular technique. The consolidated report is provided for informational purposes as a courtesy to you. We recommend that you review your plan annually, unless changes in your personal or financial circumstances require more frequent review. All reports should be reviewed in conjunction with your fact summary and this Disclaimer page.

The term "plan" or "planning," when used within this report, does not imply that a recommendation has been made to implement one or more financial plans or make a particular investment. Nor does the plan or report provide legal, accounting, financial, tax or other advice. Rather, the report and the illustrations therein provide a summary of certain potential financial strategies. The reports provide projections based on various assumptions and are therefore hypothetical in nature and not guarantees of investment returns. You should consult your tax and/or legal advisors before implementing any transactions and/or strategies concerning your finances.

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The information contained in this report is not written or intended as financial, tax or legal advice. The information provided herein may not be relied on for purposes of avoiding any federal tax penalties. You are encouraged to seek financial, tax and legal advice from your professional advisors.

Tools such as the Monte Carlo simulation will yield different results depending on the variables inputted, and the assumptions underlying the calculation. For those reports that perform a Monte Carlo analysis, the term 'Monte Carlo' will be included in the report title. The assumptions with respect to the simulation include the assumed rates of return and standard deviations of the portfolio model associated with each asset. The assumed rates of return are based on the historical rates of returns and standard deviations, for certain periods of time, for the benchmark indexes comprising the asset classes in the model portfolio. Since the market data used to generate these rates of return change over time your results will vary with each use over time.

Monte Carlo Analysis is a mathematical process used to implement complex statistical methods that chart the probability of certain financial outcomes at certain times in the future. This charting is accomplished by generating hundreds of possible economic scenarios that could affect the performance of your investments.

The Monte Carlo simulation uses at most 1000 scenarios to determine the probability of outcomes resulting from the asset allocation choices and underlying assumptions regarding rates of return and volatility of certain asset classes. Some of these scenarios will assume very favorable financial market returns, consistent with some of the best periods in investing history for investors. Some scenarios will conform to the worst periods in investing history. Most scenarios will fall somewhere in between.

The outcomes presented using the Monte Carlo simulation represent only a few of the many possible outcomes. Since past performance and market conditions may not be repeated in the future, your investment goals may not be fulfilled by following advice that is based on the projections.

I/We have received and read this Disclaimer page and understand its contents and, therefore, the limitations of the report. Furthermore, I understand that none of the calculations and presentations of investment returns are guaranteed.

Client(s): ______________________________ ______________

Jon Traditional Date

______________________________ ______________

Katie Traditional Date

Advisor: ______________________________ ______________

Jim Adkins Date


# Basics of Education Planning

***Prepared for Jon and Katie Traditional***

Education planning is the process of creating a realistic strategy for funding the higher education costs of your children. It is important to create a plan that works along with other aspects of your comprehensive financial plan. The following is a list of items to consider when creating your education plan.

## Total Amount You Want to Fund

Most people start with a goal of funding their children's entire education. However, this is not always possible given the specific situation of each family. You should choose a funding objective that is realistic and be flexible enough to change that goal as the situation warrants.

Remember that it is important to not commit too much money to education planning at the expense of under-funding other priorities like retirement planning. There are outside sources of help when funding college such as grants, scholarships, and loans. There is no such help for your retirement.

## Type of Account(s) to Use

There are multiple types of accounts where you can save your money. Some offer significant tax benefits but possibly at the cost of higher expenses. Some offer lower expenses but potentially more taxes. Some accounts may be more advantageous if applying for financial aid for children.

While the most important action you can take is to actually save money, it is important to use the type of account most beneficial to you.

## How Much To Save and How to Allocate

The amount you can save is of obvious importance when creating a plan but the proper allocation is often overlooked. Education often provides a shorter time frame to save as well as a very short timeframe for the actual event, unlike retirement for example. Therefore, it is important to use an allocation appropriate for shorter timeframes. While you can be aggressive with the allocation for young children, a more moderate allocation is generally warranted for teenagers since your timeframe is typically limited to 5 years or less. Do not overlook the importance of reviewing your allocation every few years, and making changes when appropriate.

# Cost of Education

## Base Facts

***Prepared for Jon and Katie Traditional***

Funding a child's education, either fully or partially, is considered a primary obligation by most parents. With education costs significantly outpacing inflation, the total cost of a college education can become burdensome if you don't start saving early.

**For Peter's College**, you have defined that education begins in **2016**, lasts for **4 years** (**through 2019**), and will have an annual cost of **$50,000** in today's dollars. These costs are expected to grow at a rate of **3.73%** beginning **immediately**.

You can expect the first year of college to actually cost **$55,807** when it begins, with a total cost of **$236,032** by the time it ends.

**SUMMARY**

**Education Occurs**
**2016 - 2019**

**Annual Costs (Today's $)**
**$50,000**

**Costs Grow at**
**3.73%**

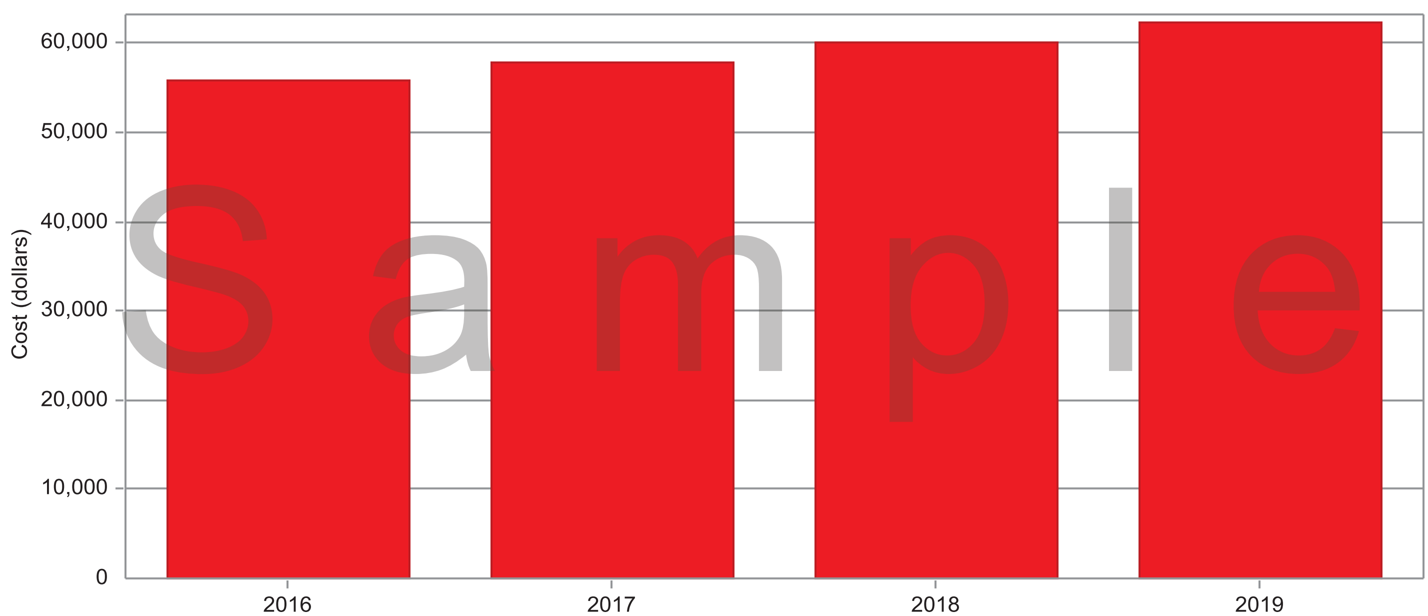
**Annual Cost in 2016**
**$55,807**

**Total 4 Year Cost**
**$236,032**

### How Will Your Costs Grow?

The chart below illustrates the mounting costs of this education. You can expect an annual cost of **$50,000** today to grow to **$55,807** in **2016** and **$62,288** in **2019**.

**Projected Cost of Peter's College**






*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the 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. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your tax and/or legal advisor before implementing any tax or legal strategies.*

# Funding Your Education

## Base Facts

***Prepared for Jon and Katie Traditional***

This report shows where you are with respect to your education funding needs.

**SUMMARY**

**Total 4 Year Cost**
**$236,032**

**Current Funding**
**$51,120 (Dedicated)**

**Total Funding**
**$119,906 (Dedicated)**
**$116,126 (Non-Dedicated)**

**Shortfall**
**$116,126 (Dedicated)**
**$0 (Non-Dedicated)**

**Percent Funded**
**51% (Dedicated)**
**49% (Non-Dedicated)**

**You currently have** **$51,120** of dedicated funds available for **Peter's College** expense. Planned savings and assumed growth would result in a total of **$119,906** of dedicated funds available for the education goal. These funds are used against a total **4 year** cost of **$236,032** resulting in a **$116,126** shortfall of dedicated assets. Non-dedicated assets are assumed to fund the remaining goal shortfall.

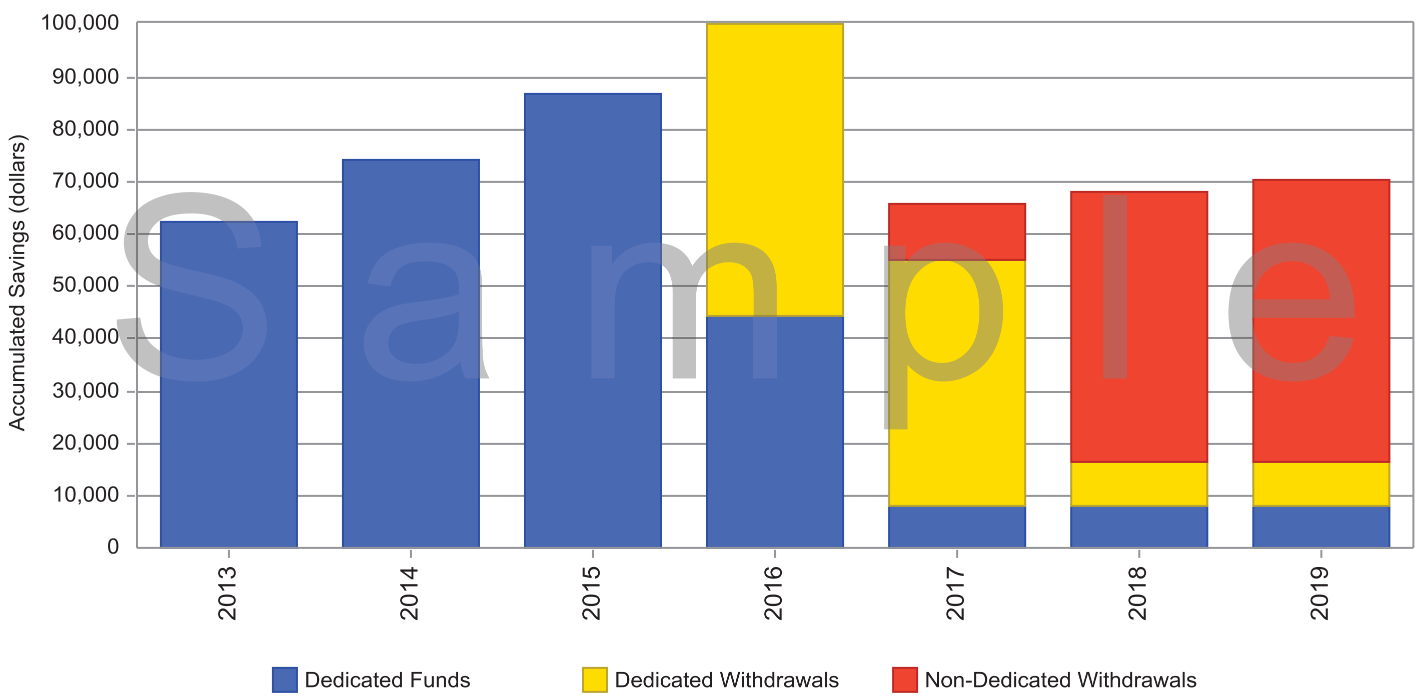
The projected **shortfall** from dedicated assets towards **Peter's College** expense is **$116,126**, or **49%** underfunded. Non-dedicated assets are assumed to fund the remaining goal shortfall.

Additional dedicated funds available at the end of the education goal total **$8,000**, or **3%** of the goal.

### Will There Be Enough?

The chart below illustrates your available dedicated funding for this education goal. Your dedicated assets provide a funding level of **$119,906** towards the goal. Non-dedicated assets are used to fund the remaining **$116,126**.

**Savings and Withdrawals for Peter's College**



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# Options for Meeting Education Needs

## Base Facts

***Prepared for Jon and Katie Traditional***

Based upon the assumed cost, existing funds, and future savings for **Peter's College**, your education goal is not projected to be fully funded with dedicated assets. It is important to review your educational funding needs now, and implement any necessary changes. There are several options which, by themselves or in combination with each other, may help you to achieve your education funding goal. They include:

### Save More Each Month

By examining your current budget and expenditures, you may be able to make changes that allow you to increase the amount you save each month for future education costs.

To cover your funding shortfall solely from dedicated assets by saving more each month, you would need to save an additional **$1,613 per month** (or **$19,355 per year**) through **2018**. This solution assumes that these new funds will grow at a rate of **0.00%**.

**SUMMARY**

**Increase Savings by**
**$1,613** (monthly)
**$19,355** (annually)

**Total Cost of Education**
**$236,032**

**Total Funding**
**$236,032**

**Percent Funded**
**100%**

### Set Aside More Now

One option for making up the shortfall is to set aside an additional lump sum today.

To make up your funding shortfall solely from dedicated assets by increasing the lump sum available today, you would need to put aside **$116,126** in addition to the **$51,120** currently available, for a total of **$167,246**. This solution assumes that these new funds will grow at a rate of **0.00%**.

**SUMMARY**

**Increase Funds by**
**$116,126** to a total of **$167,246**

**Total Cost of Education**
**$236,032**

**Total Funding**
**$236,032**

**Percent Funded**
**100%**

### Reduce Costs

You may consider reducing the actual cost of the goal. The student might qualify for scholarships, or could attend a less expensive educational institution. In-state schools typically have lower tuition than comparable out-of-state schools.

To fully fund the goal solely from dedicated assets by reducing the expense, the annual cost would need to be reduced by **$23,372** to **$26,628** per year. This solution assumes that your education cost will grow at a rate of **3.73%** each year.

**SUMMARY**

**Reduce Annual Cost by**
**$23,372** to a total of **$26,628**

**New Cost of Education**
**$125,700**

**Total Funding**
**$125,700**

**Percent Funded**
**100%**

# Education - Funding & Spending Details

## Base Facts

***Prepared for Jon and Katie Traditional***

For each year through the end of your goal, the table below displays the savings to and the withdrawals from the funds you dedicated to this goal, the amount spent on the goal, and the balance of funds at the end of each year.

### Peter's College

| Year | Age | Dedicated Assets (BOY) | Growth, Savings & Other Expenses | Dedicated Withdrawals for Expense | Dedicated Assets (EOY) | Non-Dedicated Withdrawals |
|---|---|---|---|---|---|---|
| 2013 | 55/50 | $51,120 | $11,175 | $0 | $62,295 | $0 |
| 2014 | 56/51 | 62,295 | 11,869 | 0 | 74,164 | 0 |
| 2015 | 57/52 | 74,164 | 12,606 | 0 | 86,770 | 0 |
| 2016 | 58/53 | 86,770 | 13,388 | 55,807 | 44,351 | 0 |
| 2017 | 59/54 | 44,351 | 10,754 | 47,105 | 8,000 | 10,784 |
| 2018 | 60/55 | 8,000 | 8,497 | 8,497 | 8,000 | 51,551 |
| 2019 | 61/56 | 8,000 | 8,497 | 8,497 | 8,000 | 53,791 |