



# Palisades Hudson Asset Management, L.P.

2 Overhill Road, Suite 100 Scarsdale, NY 10583

---

December 31, 2007

Mr. John Client  
123 Main Street  
Anytown, ST 12345

Dear John,

You have asked us to help you evaluate your financial preparedness for retirement. We have used the information you provided to create cash flow projections based upon various assumptions. Your actual experience is likely to vary from these projections, but we believe these models provide a reasonable basis for your financial decisions.

I would like to discuss this report with you after you have had a chance to review it. If you desire, we will re-run these projections under additional assumptions that you wish to specify.

I hope this has been helpful. Please do not hesitate to speak with me if you have any additional questions or concerns. Best regards.

Sincerely,

Eric Meermann, CFP®



December 31, 2007

### Summary

Our projections, which are based on the assumptions described in the Appendix of this report, indicate that if you were to retire June 30, 2008, your assets would be sufficient to support both you and Mary until age 90, if your portfolio experiences returns in line with historical performance. However, if you retire next year and your portfolio experiences long-term adverse results, your liquid assets would be exhausted before you and Mary reach age 90. If you continue to work through June 30, 2010, regardless of whether you maintain your life insurance coverage, our projections indicate that even with adverse market returns, your assets will be sufficient to support both you and Mary to age 90.

### Cash Flow Projection

We have provided six cash flow projections that vary based upon the year in which you retire, the expected annual rate of return achieved by your investment accounts, and whether Mary receives a life insurance benefit at your death. A copy of each cash flow projection is attached to this report. Figure 1 provides you with a reference that lists the conditions assumed in each projection.

<i>Projection</i>	<u>Retirement</u>	<u>Annual Earnings Rate</u>
Plan A1	6/2008	Expected 8.98%
Plan A2	6/2008	Adverse 5.45%
Plan A3 - Life Ins Benefit	6/2008	Adverse 5.45%
Plan B1	6/2010	Expected 8.98%
Plan B2	6/2010	Adverse 5.45%
Plan B3 - Life Ins Benefit	6/2010	Adverse 5.45%

**Figure 1**

Figure 2 illustrates that in scenarios A1 and B1, in which your investment accounts are able to achieve an average expected annual rate of return of 8.98%, you will have sufficient assets to support you and Mary throughout retirement, regardless of your retirement date.

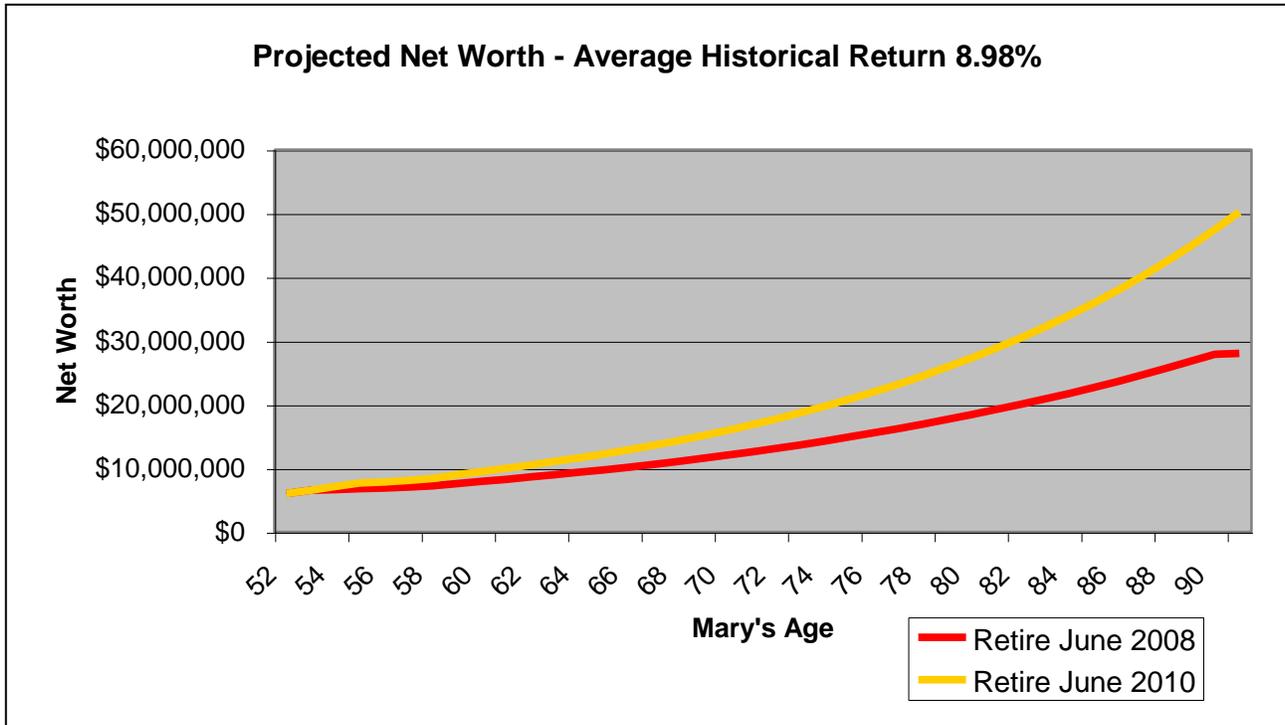


Figure 2

Scenarios A2 and A3 assume that you experience adverse market conditions throughout your and Mary’s life expectancies. Specifically, these projections assume that all of your investment accounts experience below-market historical average annual returns of 5.45% throughout your life expectancies. These projections assume that you retire on June 30, 2008. Plan A3 assumes that Mary receives a \$906,000 life insurance payout at age 83. In Plan A2 your liquid assets are entirely depleted by the time Mary is 86. In Plan A3, Mary’s receipt of the life insurance proceeds at age 83 enable her to live until 88 before all liquid assets are depleted. This does not include equity available in your home (\$1,000,000), which could be used to raise more liquid assets if necessary.

Scenarios B2 and B3 assume that you experience adverse market conditions throughout your and Mary’s life expectancies and that you continue to work through June 30, 2010. Plan B3 also assumes that Mary receives a \$906,000 life insurance payout at age 83. Scenarios B2 and B3 also illustrate that you will have sufficient assets to support you and Mary throughout retirement.

Figure 3 shows the value of your portfolio throughout Mary’s lifetime under all adverse market scenarios.

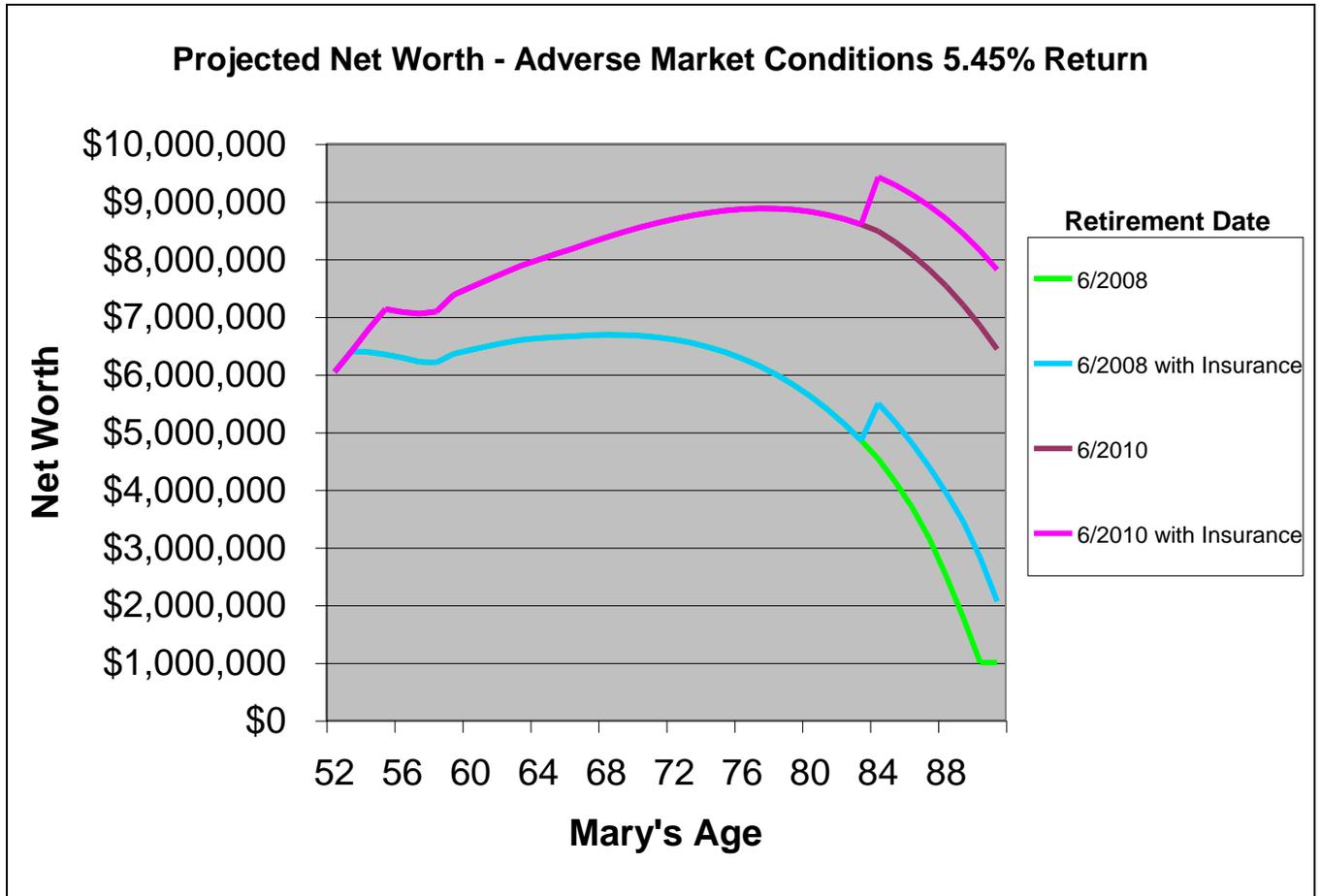
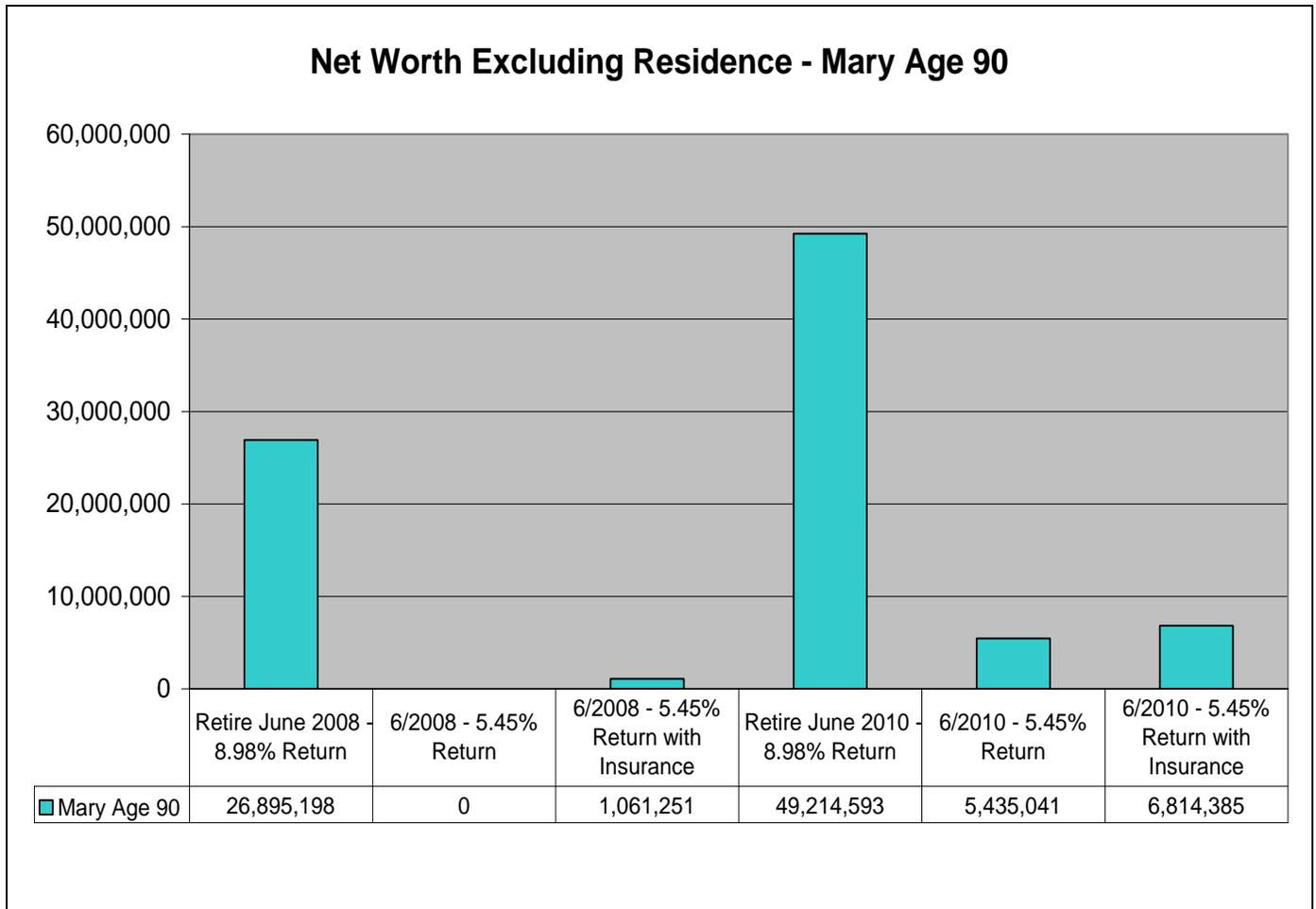


Figure 3

**Conclusion**

These projections paint a more favorable picture than the projections we prepared for you in 2003. Please note that all scenarios, regardless of retirement date or market conditions, indicate that substantial liquid assets will remain at the end of Mary’s statistical life expectancy of 84. Our prior cash flow scenarios were run to statistical life expectancy, rather than the more conservative age 90.

The current scenarios run with 90-year life expectancies indicate that you have sufficient resources to support you and Mary throughout retirement under historical market conditions. However, under adverse return scenarios, your assets are insufficient to last you and Mary throughout retirement unless you continue to work through 2010. Figure 4 illustrates Mary’s projected liquid assets under each scenario at her projected life expectancy.



**Figure 4**

Although the scenarios in scenarios A2 and A3 may paint an unfavorable picture, they assume your portfolio experiences long-term adverse market returns, a scenario that is possible, but unlikely to occur. Because you both have long life expectancies, you may appropriately choose not to take any steps such as delaying retirement at this time. If you wish to retire any earlier than 2010, you should consider reducing spending, investing more aggressively, or a combination of these or other possible alternatives.

I recommend that you monitor your spending and investment results, and revisit your cash flow scenarios periodically, such as every two to five years. This will allow you to keep track of your financial position so that you may determine if it is necessary to make any adjustments in your spending and investment approach in the future.

# Appendix: Assumptions and Disclaimers

## Assumptions used in all scenarios

Projection Start Date	June 30, 2007
Life Expectancy	90
Inflation	3.1%
Investment Allocation	50% equities/50% fixed-income and cash
Growth Rate <sup>1</sup>	According to our analysis of Ibbotson Associates data, your asset allocation is expected to return 8.98% annualized, over a 20-year period, with a 95% probability of achieving a 5.45% return in adverse market conditions.
Excluded Assets	Employer stock options Three cars Assets held for John Jr.'s benefit Potential inheritance
Taxable Portfolio <sup>2</sup>	Composed of mutual fund, brokerage and bank accounts Initial value of \$ 3,359,000
Social Security Income	Begins age 66
Employer 401(k) Value <sup>3</sup>	\$1,674,000
Annuity Payments from Previous Employer	Begin at age 65 First year monthly benefits of \$4,139.51 Subsequent yearly benefit of \$49,674 Survivor benefit of \$24,837 (50% of \$49,674)
IRAs <sup>4</sup>	John's IRA initial value: \$4,400 Mary's IRA initial value: \$600 Distributions are deferred until age 70½
Employer Retirement	Payments begin at age 65

1 Please note that these annual growth rates are gross return percentages that exclude investment related expenses, such as management fees and other trading costs, which would reduce your portfolio's return. You should also note that these investment return assumptions are based on historical data. Therefore, there can be no assurance that any particular level of performance will be attained in the future.

2 Whenever your income exceeds your expenses and tax liabilities in a given year, any excess cash will be invested in your Taxable Portfolio. Whenever your expenses and tax liabilities exceed your cash income in any given year, assets within this account will be liquidated to compensate for the shortfall.

3 Due to limitations in the software, we have not separated the \$300,000 of after-tax contributions. This treatment results in a more conservative cash-flow projection and is immaterial to the ultimate outcome.

4 As your other financial resources permit, we assume you will defer distributions from your IRA and 401(k) until you reach age 70½. We also assume that Mary will defer distributions until age 70½. Therefore, once distributions begin, we assume you and Mary withdraw the funds from your retirement accounts over a 26-year period unless cash requirements compel you to withdraw at earlier times or in larger amounts.

Annuity	
Employer Supplemental Retirement Plan	Receive a lump-sum distribution at age 65 over a 26-year period unless there is an earlier cash requirement
Charitable Contributions	Based on 2006 contributions of \$8,511 Increase each year at the inflation rate of 3.1%
Living Expenses	Based on your \$190,000 estimate Increase each year at the inflation rate of 3.1% Increases in future medical expenses will be offset by a decrease in your insurance premiums.
Education Expenses	Based on 2006 estimated costs Increased each year at 6% John Jr.'s future graduate school will be paid with funds included in this projection.
Taxes	Resident state taxes are paid for all years. Calculations incorporate the Jobs and Growth Tax Relief Reconciliation Act of 2003 and the American Jobs Creation & Working Families Tax Relief Acts of 2004. In 2010, the program reverts back to the old income tax rates in accordance with the enacted tax law.
Residence	Valued at \$1,000,000 No mortgage Assumes no appreciation
Property Taxes	Estimated at \$13,000 for 2007 Increase each year at the inflation rate of 3.1%

### Scenario Specific Assumptions

**Salary/Bonus:** For scenarios A1, A2, A3, B1, B2, and B3 we assume that you receive a combined salary and bonus of \$455,000 for the period June 30, 2007 to June 30, 2008. In scenario's B1, B2, and B3, we assume that your compensation increases at an annual inflation rate of 3.1% beginning in 2008 until you retire in 2010.

**Employer Retirement Annuity:** We assume that you begin to receive payouts from your retirement annuity when you turn 65 in May 2013. In scenarios A1, A2, and A3, the annuity pays monthly benefits of \$1,673. In 2013, you will only receive payments for seven months (\$11,711). From 2014 through your life expectancy you will receive payments of \$20,076. After your death at age 90, Mary receives survivor benefits of \$10,038 (50% of \$20,076) until she reaches age 90. In scenarios B1, B2, and B3, the annuity pays monthly benefits of \$2,258. In 2013, you will only receive payments for seven months (\$15,806). From 2014 through your life expectancy you will receive payments of \$27,096. After your death, Mary receives survivor benefits of \$13,548 (50% of \$27,096) until she reaches age 90.

Employer Supplemental Retirement Plan	Based on employer estimates you will receive \$153,900 in scenarios A1, A2, A3. In scenarios B1, B2, B3, you will receive \$288,500.
Life Insurance	In scenarios A3 and B3 Mary receives a tax-free life insurance benefit of \$906,000 at your death.

### **Scope, Methodology and Limitations**

Information regarding expected returns and related probabilities is provided by Ibbotson Associates and is based on historical performance of various classes of investments. There can be no assurance that any particular level of performance will be attained in the future.

Our advice is based on information that you have provided and is intended for your use solely in developing your financial scenarios. It is not to be relied upon by third parties for making decisions in connection with any grant of credit to you or for any other purpose. This engagement does not include any audit or other attest service.

All investment-related services are provided by arrangement with Palisades Hudson Asset Management, L.P., a registered investment adviser.