# The Sky Is FALLING

# Will I Be OK?

Bring your completed Retirement Lifestyle Workbook to your initial appointment or mail to:

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IMPORTANT INFORMATION

This brochure includes results for a Sample Retirement Lifestyle Plan, created using MoneyGuidePro™ financial planning software. MoneyGuidePro is owned and maintained by PIEtech, Inc.

See the last pages of this Brochure for Important Disclosure Information about MoneyGuidePro, including its limitations, assumptions and a glossary.

# Yes? No? Maybe?
# How Do You Know?

It's time to find out . . .

. . . by creating your personal Retirement *Lifestyle* Plan.

(And, don't worry, the sky isn't really falling.)

# The Problem: Media, Friends & Investment Statements

It might seem like the sky is falling. The media makes it sound that way. Many of your friends say so. Even you may feel like the sky is falling when your investment statement shows the sudden evaporation of years of your hard-earned savings. When all the news is bad, it's natural to become worried and discouraged. It's easy to fear the worst and begin thinking you'll never be able to retire, or, if you do retire, you'll run out of money. So, what should you do?

**Sell Stocks?  Retire Later?  Spend Less?  Fire Your Advisor?  Worry More?**


*For illustrative purposes only. Not representative of any specific investment.

When things are bad, everyone feels the need to . . . Do Something! But what?

The problem is, you don't have the information you need to decide what to do. You don't know when you can retire or how much money you can spend after you retire. That's because investment statements show only short-term results. They don't tell you how those results will affect your long-term financial success.

**You can't make good long-term decisions based on short-term information.**

# Don't Be Misled Into Poor Decisions


Even worse than not knowing what to do, is doing the wrong thing. So here's what not to do.

Don't let short-term losses and unreasonable fear mislead you into poor investment decisions.

Don't make decisions that may feel good in the moment (like dumping all your stocks), but hurt you in the long-run (like running out of money).

To make smart investment decisions today, you need more than investment statements.

The important question isn't . . .

How much money do I have right now?

That value will change constantly.

What you need to know is . . .

What should I do now to give me the best chance to attain my Goals in the future?

**To answer this question, you need a Retirement *Lifestyle* Plan:**

- **It can help you feel better today (the sky isn't falling),**
- **It can restore your confidence in the future, and**
- **It will help you make better financial decisions.**

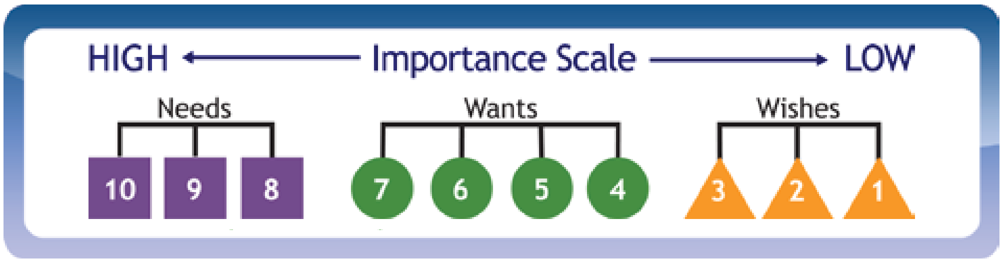
**Let's see what a Retirement Lifestyle Plan looks like.**

# The Solution: A Retirement *Lifestyle* Plan

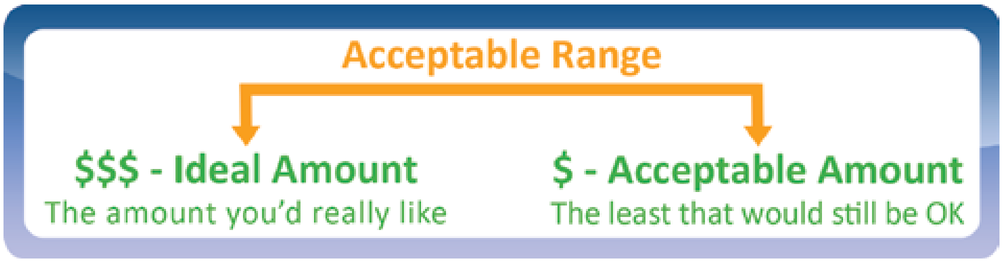
Start with your Goals. You're unique. Your retirement Goals are unique.

For a comfortable retirement, you certainly must be able to pay your basic living expenses, without worrying about running out of money. But a truly satisfying retirement lifestyle would also include sufficient money to pay for other purchases and activities that go beyond your basic needs. That's what makes retirement fun.

A Retirement *Lifestyle* Plan helps you identify all your unique Goals, including the **Needs** you must have, the **Wants** you'd like to have, and even the **Wishes** you might dream about.




Then, for each Goal, you establish both an Ideal and an Acceptable spending amount. The Ideal amount is the most you'd like to have for a great retirement lifestyle. The Acceptable amount is the least amount that is still good enough. This creates your Acceptable Range, which will help you make trade-offs to maximize the current and future satisfaction you get from your money.




The sample that follows shows a Retirement *Lifestyle* Plan for John and Ann, a 57-year-old couple with a three-year-old grandson named Timmy. John and Ann have identified 6 Goals that will make their retirement satisfactory and enjoyable. Compare their list of Goals to what you might want for your retirement. You could have fewer Goals or many more. Then, review the results for John and Ann's Retirement *Lifestyle* Plan to see how it helped them feel more confident about their future.

# Lifestyle Goals for John and Ann

Acceptable Range

| Retirement Age | IDEAL | ACCEPTABLE |
|---|---|---|
| John | 64 | 66 |
| Ann | 64 | 66 |

| Retirement Goals | | IDEAL | ACCEPTABLE |
|---|---|---|---|
| Needs | | | |
| 10 | **Basic Living Expense** | $70,000 | $66,000 |
| 8 | **Ann's Lexus** in 2016<br>Every 5 Years - 4 Times | $30,000 | $25,000 |
| Wants | | | |
| 7 | **Annual Travel Fund** at Retirement<br>Every Year - 15 Times | $18,000 | $12,000 |
| 6 | **John's Saturn** in 2014<br>Every 6 Years - 3 Times | $25,000 | $25,000 |
| Wishes | | | |
| 3 | **Renovate Kitchen** in 2011 | $50,000 | $25,000 |
| 2 | **Gifts to Timmy** in 2012<br>Every Year - 10 Times | $10,000 | $0 |

The amount you'd really like

The least that would still be OK

After identifying all their Goals, we had a conversation with John and Ann about their risk tolerance (they're fairly conservative), and then gathered information about the resources they will use to fund their Goals (including current investments, savings, and retirement income sources). Next, we crunched the numbers to answer their question:

**"How can we be certain we'll reach all of our Goals?"**

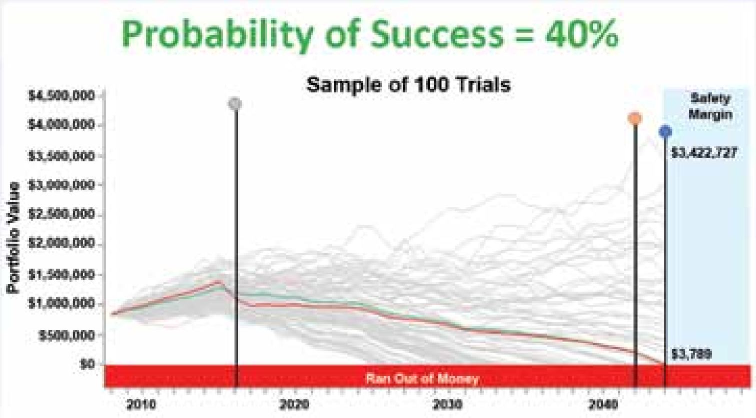
# And the Answer is. . . .

John and Ann can't be certain.

Unfortunately, because FUTURE RETURNS ARE UNPREDICTABLE, no one can be certain they'll reach their Goals. But they can be confident. Here's how. . .

First, we calculate the Probability of Success for John and Ann's Current Plan.

Sample Results




We simulate thousands of Trials using different return sequences.

Each Trial represents one possible outcome for the plan.

The Probability of Success equals the percentage of Trials (40%) that funded all their Goals.

# You Need to Be In Your Confidence Zone!

Because the Probability of Success for their Current Plan is too low, we recommend changes, within their Acceptable Range, to improve the result.

With these changes, their new Recommended Plan has a Probability of Success (78%) which is in their **Confidence Zone***.

When you're in the **Zone**, you can be **confident** (but still **not certain**) you'll have enough money to fund your future Goals without sacrificing more than necessary today.

Next, we run the Acceptable Goal Result for John and Ann's Recommended Plan.

Sample Results for Recommended Plan

**Likelihood of Funding All Goals**

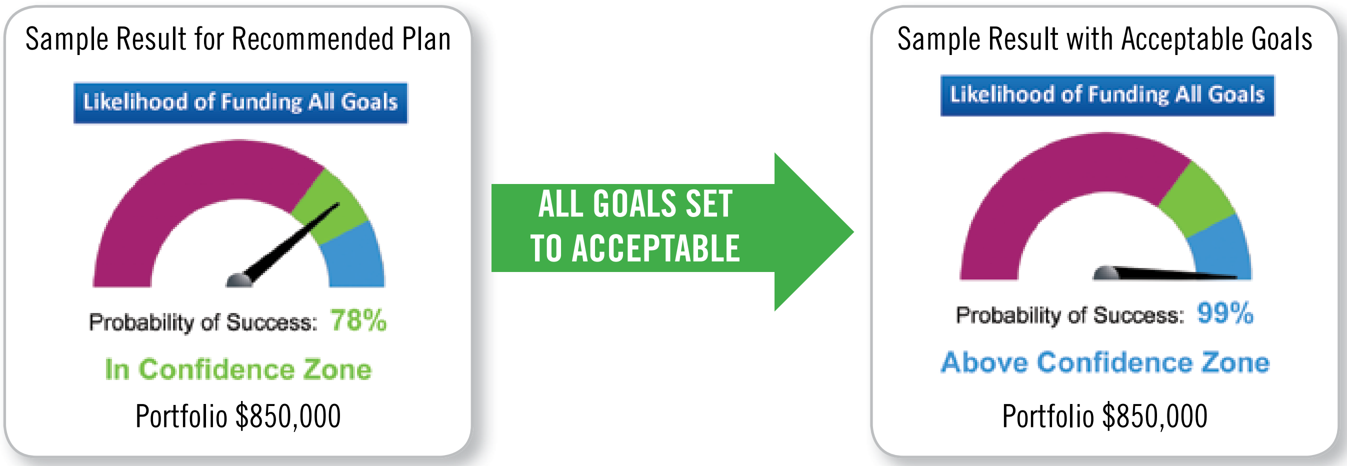
Probability of Success: **78%**

**In Confidence Zone**

*The Confidence Zone is the range of probabilities that you and your advisor select as your target range for the Probability of Success result in your Plan.

# Acceptable Goal Result

In the Acceptable Goal Result, we change all Goal values to Acceptable while keeping everything else the same.  Then, we re-calculate the Probability of Success.  This result shows how confident you can be that you'll reach your Acceptable Goals, the minimum you must accomplish for a enjoyable retirement.  The higher the result, the better. Here's the Acceptable Goal Result for John and Ann's Recommended Plan:




# Loss Cushion

It's hard to enjoy life if you lose sleep every time the stock market has a bad day.  Knowing one additional number, called your Loss Cushion, can help reduce your daily level of stress.  Your Loss Cushion is the maximum amount of money your portfolio could lose today while staying in your Confidence Zone for your Acceptable Goals. The greater your Loss Cushion, the more you can focus on enjoying your life rather than reacting to daily fluctuations of the stock market. Here's the Loss Cushion result for John and Ann's Recommended Plan:


## . . . but these ARE challenging times.

While you certainly can't ignore today's challenges, you also don't want to overreact to them. Your current well-being and your long-term enjoyment during retirement are dependent on your ability to make well-considered financial decisions during good markets and bad.

As illustrated in the previous sample, a Retirement *Lifestyle* Plan helped John and Ann feel more confident about their future.

Here's what you're likely to discover if you create your own Retirement *Lifestyle* Plan:

- While you might not be as well-off as you'd like . . .
- You're usually better-off than you feared
- And, with some good planning, you can be **OK**.

# 6 Easy Steps to Your Retirement *Lifestyle* Plan

1. Identify all your unique Goals and create an Acceptable Range for each.

2. Determine the balance of Risk and Return that is right for you.

3. Identify the resources that will help fund your Goals.
   - Savings
   - Investment Assets
   - Income Sources
   - Other Assets

4. Create your personal Retirement *Lifestyle* Plan.

5. Review and discuss your Plan results.
   - See how you’re doing now
   - Determine how to get in your **Confidence Zone**

6. Implement your Action Items.
   - Establish the proper savings strategy
   - Implement an appropriate Asset Allocation strategy for your Investment Portfolio

**Plan Long-Term**

The true power of your Retirement *Lifestyle* Plan doesn’t come from doing it once and forgetting it. Planning is a continuous process. Your plan must be reviewed and updated at least once a year, and more often, if you have significant changes in your Goals. Updating your plan regularly is the only way to put current events in perspective, decide what changes are appropriate, and strengthen your confidence in the future.

**Enjoy life today - without giving up your Retirement Dreams.**

# IMPORTANT DISCLOSURE INFORMATION ABOUT MONEYGUIDEPRO

IMPORTANT: The projections or other information generated by MoneyGuidePro 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 return assumptions in MoneyGuidePro 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 MoneyGuidePro. 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.

MoneyGuidePro results may vary with each use and over time.

**Information Provided by You**
Information that you provide about your assets, financial goals, and personal situation are key assumptions for the calculations and projections in a Retirement Lifestyle Plan. You can review these assumptions in the "Personal Information and Summary of Financial Goals," "Current Allocation," and "Tax and Inflation Options" sections of the Plan Report. 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 a Retirement Lifestyle Plan. 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.

**Assumptions and Limitations**
MoneyGuidePro offers several methods of calculating results, each of which provides one outcome from a wide range of possible outcomes. All results in a Retirement Lifestyle Plan are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. All results use simplifying assumptions that do not completely or accurately reflect your specific circumstances. No Plan or Report has the ability to accurately predict the future. As investment returns, inflation, taxes, and other economic conditions vary from the MoneyGuidePro assumptions, your actual results will vary (perhaps significantly) from those presented in a Retirement Lifestyle Plan.

All MoneyGuidePro calculations use asset class returns, not returns of actual investments. When using historical returns, the average annual asset class returns are calculated using the indices listed in the Retirement Lifestyle Plan, which serve as proxies for their respective asset classes. When using projected returns, the average return for each asset class is an estimate developed by your advisor or your advisor's firm, and is listed in the Retirement Lifestyle Plan. Portfolio returns are calculated by weighting individual return assumptions for each asset class according to your portfolio allocation. The portfolio returns may have been modified by including adjustments to the total return and the inflation rate. The portfolio returns assume reinvestment of interest and dividends at net asset value without taxes, and also assume that the portfolio has been rebalanced to reflect the initial recommendation. No portfolio allocation eliminates risk or guarantees investment results.

MoneyGuidePro does not provide recommendations for any products or securities.

**Risks Inherent 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. 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 Carlo Simulations in such cash alterntives 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.

**Plan Is a Snapshot and Does Not Provide Legal, Tax, or Accounting Advice**
A Retirement Lifestyle Plan 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. A Retirement Lifestyle Plan can help you to focus on the factors that are most important to you. A Retirement Lifestyle Plan does not provide legal, tax, or accounting advice. Before making decisions with legal, tax, or accounting ramifications, you should consult appropriate professionals for advice that is specific to your situation.

# Glossary

**Acceptable Goal Amount**
For each financial goal, you enter an Ideal Amount and an Acceptable Amount. The Acceptable Amount is the minimum amount that would be acceptable to you for funding this goal. The Ideal Amount is the most that you would expect to spend on this goal, or the amount that you would like to have.

**Acceptable Goal Result**
The Acceptable Goal Result shows your Monte Carlo Probability of Success when each financial goal is funded at its Acceptable Goal Amount. The Acceptable Goal Result is often used in combination with the Loss Cushion.

**Acceptable Range**
For a financial goal, the range of values from your Ideal Goal Amount to your Acceptable Goal Amount. For retirement age, the range of values from your Ideal Retirement Age to your Acceptable Retirement Age. For retirement age, the range of values from your Ideal Retirement Age to your Acceptable Retirement Age.

**Acceptable Retirement Age**
You can enter both an Ideal and an Acceptable Retirement Age. The Acceptable Age is the latest you are willing to retire. The Ideal Age is the age at which you would like to retire.

**Asset Allocation**
Asset Allocation is the process of determining what portions of your portfolio holdings are to be invested in the various asset classes.

**Asset Class**
Asset Class is a standard term that broadly defines a category of investments. The three basic asset classes are Cash, Bonds, and Stocks. Bonds and Stocks are often further subdivided into more narrowly defined classes. Some of the most common asset classes are defined below.

# Glossary

**Cash**
Cash typically includes bank accounts or certificates of deposit, which are insured by the Federal Deposit Insurance Corporation up to a limit per account. Cash Alternatives typically include money market securities, U.S. treasury bills, and other investments that are readily convertible to cash, have a stable market value, and a very short-term maturity. U.S. Treasury bills are backed by the full faith and credit of the U.S. Government and, when held to maturity, provide safety of principal**.**

**Bonds**
Bonds are either domestic (U.S.) or global debt securities issued by either private corporations or governments.

Domestic government bonds are backed by the full faith and credit of the U.S. Government and have superior liquidity and, when held to maturity, safety of principal. Domestic corporate bonds carry the credit risk of their issuers and thus usually offer additional yield. Domestic government and corporate bonds can be sub-divided based upon their term to maturity. Short-term bonds have an approximate term to maturity of 1 to 5 years; intermediate-term bonds have an approximate term to maturity of 5 to 10 years; and, long-term bonds have an approximate term to maturity greater than 10 years.

**Stocks**
Stocks are equity securities of domestic and foreign corporations.

Domestic stocks are equity securities of U.S. corporations. Domestic stocks are often sub-divided based upon the market capitalization of the company (the market value of the company's stock). "Large cap" stocks are from larger companies, "mid cap" from the middle range of companies, and "small cap" from smaller, perhaps newer, companies. Generally, smallcap stocks experience greater market volatility than stocks of companies with larger capitalization. Small cap stocks are generally those from companies whose capitalization is less than $500 million, mid cap stocks those between $500 million and $5 billion, and large cap over $5 billion.

Large cap, mid cap and small cap may be further sub-divided into "growth" and "value" categories. Growth companies are those with an orientation towards growth, often characterized by commonly used metrics such as higher price-to-book and price-to-earnings ratios. Analogously, value companies are those with an orientation towards value, often characterized by commonly used metrics such as lower price-to-book and price-to-earnings ratios.

International stocks are equity securities from foreign corporations. International stocks are often sub-divided into those from "developed" countries and those from "emerging markets." The emerging markets are in less developed countries with emerging economies that may be characterized by lower income per capita, less developed infrastructure and nascent capital markets.

These "emerging markets" usually are less economically and politically stable than the "developed markets." Investing in international stocks involves special risks, among which include foreign exchange volatility and risks of investing under different tax, regulatory and accounting standards.

**Asset Mix**
Asset Mix is the combination of asset classes within a portfolio, and is usually expressed as a percentage for each asset class.

**Confidence Zone:** See Monte Carlo Confidence Zone

**Ideal Goal Amount**
For each financial goal, you can enter both an Ideal Amount and an Acceptable Amount. The Ideal Amount is the most that you would expect to spend on this goal, or the amount that you would like to have. The Acceptable Amount is the minimum amount that would be acceptable to you for funding this goal.

# Glossary

**Ideal Retirement Age**
You can enter both an Ideal and an Acceptable Retirement Age. The Ideal Age is the age at which you would like to retire. The Acceptable Age is the latest you are willing to retire.

**Loss Cushion**
The Loss Cushion shows how much of your portfolio you could lose today and still be able to fund your Acceptable Goals (i.e., each financial goal funded at its Acceptable Goal Amount). The Loss Cushion is often used in combination with the Acceptable Goal Result.

**Monte Carlo Confidence Zone**
The Monte Carlo Confidence Zone is the range of probabilities that you (and/or your advisor) have selected as your target range for the Monte Carlo Probability of Success in your Plan. The Confidence Zone reflects the Monte Carlo Probabilities of Success with which you would be comfortable, based upon your Plan, your specific time horizon, risk profile, and other factors unique to you.

**Monte Carlo Probability of Success / Probability of Failure**
The Monte Carlo Probability of Success is the percentage of trials of your Plan that were successful. If a Monte Carlo simulation runs your Plan 10,000 times, and if 6,000 of those runs are successful (i.e., all your goals are funded and you have at least $1 of Safety Margin), then the Probability of Success for that Plan, with all its underlying assumptions, would be 60%, and the Probability of Failure would be 40%.

**Monte Carlo Simulations**
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 of your Plan 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 (you would have met all your goals) and some unsuccessful (you would not have met all your goals).

**Needs / Wants / Wishes**
In MoneyGuidePro, you choose an importance level from 10 to 1 (where 10 is the highest) for each of your financial goals. Then, MoneyGuidePro divides the importance levels into three groups: Needs, Wants, and Wishes. Needs are the goals that you consider necessary for your lifestyle, and are the goals that you must fulfill. Wants are the goals that you would really like to fulfill, but could live without. Wishes are the “dream goals” that you would like to fund, although you won’t be too dissatisfied if you can’t fund them. In MoneyGuidePro, Needs are your most important goals, then Wishes, then Wants. Since you can specify Ideal and Acceptable amounts for all your financial goals, there can be many possible combinations of funding levels among your Needs, Wants, and Wishes.


**Portfolio Return**
A Portfolio Return is determined by weighting the return assumption for each Asset Class according to the Asset Mix. If you choose, you or your advisor can override this return on the What If Worksheet, by entering your own return.

**Safety Margin**
The Safety Margin is the estimated value of your assets at the end of a Plan, based on all the assumptions provided by you. Only you can determine if that Safety Margin is sufficient for your needs.

**Willingness**
In MoneyGuidePro, in addition to specifying Ideal and Acceptable Goal Amounts, Ideal and Acceptable Savings Amounts, and Ideal and Acceptable Retirement Ages, you specify a Willingness to adjust from an Ideal Amount (or Age) to an Acceptable Amount (or Age). The Willingness choices are Slightly Willing, Somewhat Willing, and Very Willing. If you are unwilling to adjust from your specified Ideal Amount or Age, enter the same value for Ideal and Acceptable.

MONEYGUIDEPRO™
Financial Planning SMARTware

PIEtech, Inc.