



# John and Jane Doe

**NEEDS ANALYSIS PRESENTATION**  
**May 18, 2010**

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## *Disclaimer*

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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. We recommend that you review your plan annually, unless changes in your personal or financial circumstances require more frequent review.

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.

Additionally, this report may not reflect all holdings or transactions, their costs, or proceeds received by you. Prices that may be indicated in this report are obtained from sources we consider reliable but are not guaranteed. Past performance is no guarantee of future performance and it is important to realize that actual results may differ from the projections contained in this report. The presentation of investment returns set forth in this report does 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 will result in a lower rate of return.

It is important to compare the information on this report with the statements you receive from the custodian(s) for your account(s). Please note that there may be minor variations due to calculation methodologies. If you have any questions, please contact your financial representative. 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, which may be included in this analysis, will yield different results depending on the variables inputted, and the assumptions underlying the calculation. 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 500 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): \_\_\_\_\_  
John Doe \_\_\_\_\_ Date \_\_\_\_\_

\_\_\_\_\_  
Jane Doe \_\_\_\_\_ Date \_\_\_\_\_

Advisor: \_\_\_\_\_  
Kevin MacWilliams \_\_\_\_\_ Date \_\_\_\_\_

# Asset Protection Analysis

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## *Types of Life Insurance*

### **Term Insurance**

This type of Life Insurance provides coverage on the insured for a specified period of time (5, 10, or 20 years for example) as long as the premiums are paid and the policy is not canceled.

#### **Annual Renewable Term**

Provides a fixed amount of coverage for one year and allows the policy owner to renew the coverage each year, without evidence of insurability.

#### **Level Term**

Provides a fixed amount of coverage with premiums that are fixed over a certain period of time, often in 10 year increments.

#### **Decreasing Term**

Provides for coverage that decreases throughout the term of coverage, while the premiums remain level. Often times used for a short term decreasing liability like a mortgage.

### **Permanent Insurance\***

Permanent Life Insurance provides coverage for the insured's entire life - as long as premiums are paid on time and the policy is not canceled - and generally allows for a build up of cash value. The most common types of Permanent Insurance are:

#### **Whole Life**

The oldest kind of permanent insurance, where premiums are fixed and guaranteed and remain level throughout policy's lifetime. Provided premiums are paid on time, this coverage also provides a guaranteed cash value and guaranteed death benefit, all backed by the issuing insurance company.

#### **Universal Life**

Universal Life allows the owner after the initial payment to pay flexible premiums. The owner may change the death benefit from time to time (increase in coverage may require evidence of insurability) and vary the amount and timing of premium payments subject to certain minimums and standards.

#### **Variable Universal Life**

A form of permanent coverage that combines premium and death benefit flexibility with allowing the policy owner to choose among different investment options. Values fluctuate based on market volatility. Variable universal life insurance is sold by prospectus. Before purchasing a variable universal life insurance policy, investors should carefully consider the investment objectives, risks, charges and expenses of the variable universal life insurance policy and its underlying investment choices. For this and other information, obtain the prospectuses for the variable universal life insurance policy and its underlying investment choices from your registered representative. Please read the prospectuses carefully before investing or sending money. The extent to which this form of coverage is permanent is also dependent on the performance of the underlying investments. Variable life insurance policy holders are subject to investment risks, including the possible loss of principal invested.

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## *A Feature Comparison of Term and Permanent Life Insurance*

<b>Feature</b>	<b>Term</b>	<b>*Permanent</b>
<b>Length of Coverage</b>	Specific Period of time as long as premiums are paid.	Lifetime as long as premiums are paid
<b>Premiums</b>	<ul style="list-style-type: none"> <li>• Determined by age and health</li> <li>• Typically lower than permanent coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Determined by age and health</li> <li>• Initially higher than term coverage with portion to cash value</li> </ul>
<b>Cash Value</b>	Not Available	Accumulates on a Tax Deferred Basis
<b>Face Amount</b>	Typically Level	Level and/or Flexible
<b>Key Advantage</b>	Provides the highest death benefit for lowest premium when need is temporary.	Provides lifetime protection combined with cash value accumulation.

*\*Length of coverage is permanent for whole life as long as premiums are paid. This may not be true of variable life or variable universal life insurance.*

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## Income Replacement: Life Insurance

One of your most important assets is your ability to earn a paycheck. Life insurance is commonly used as a replacement for lost income in the event of a premature death. Life insurance provides a safety net by which you can ensure that those you leave behind are able to enjoy the standard of living that you would want.

One of the easiest ways to evaluate how much life insurance coverage you need is to use a multiple of your potential lost income. We're going to look at income replacement for **John and Jane**, making the assumption of a premature death today.

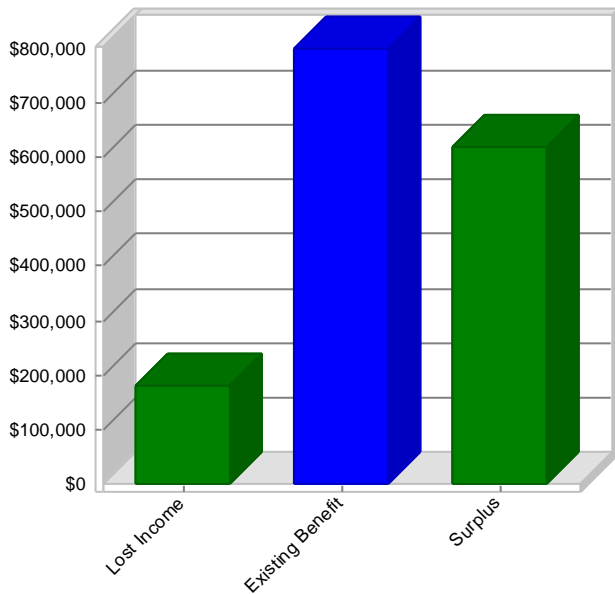
The annual amount of **John's** lost income we would like to replace is **\$12,000**. For this analysis, we are going to assume a desired multiple of **15** times lost income. This results in a current life insurance need of **\$180,000**. Existing life insurance would cover **\$800,000** of that need. In the event of **John's** premature death, there is a current life insurance **surplus** of **\$620,000**.

The annual amount of Jane's lost income we would like to replace is **\$105,000**. For this analysis, we are going to assume a desired multiple of **15** times lost income. This results in a current life insurance need of **\$1,575,000**. Existing life insurance would cover **\$0** of that need. In the event of **Jane's** premature death, there is a current life insurance **shortfall** of **(\$1,575,000)**.

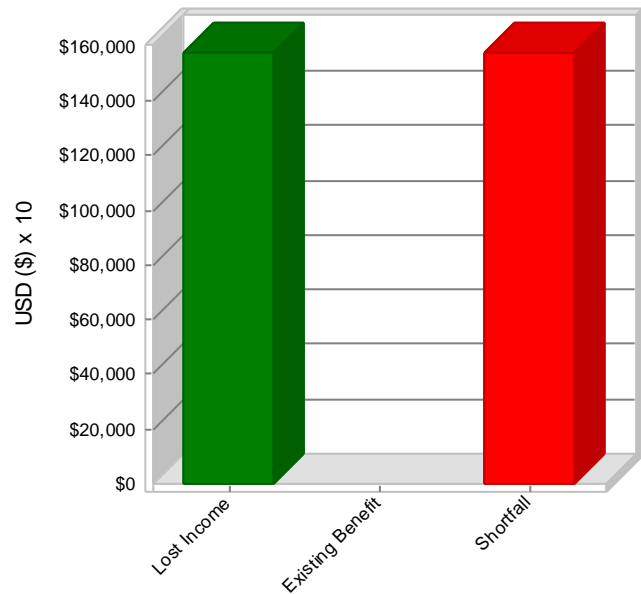
John's Lost Income	<b>\$180,000</b>
Existing Life Insurance Benefit	<b>\$800,000</b>
Surplus	<b>\$620,000</b>

Jane's Lost Income	<b>\$1,575,000</b>
Existing Life Insurance Benefit	<b>\$0</b>
Shortfall	<b>(\$1,575,000)</b>

John's Life Income Replacement



Jane's Life Income Replacement



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## ***Disability Terminology***

As with other types of insurance products, there is no 'standard' Disability Income Insurance policy. Insurance providers often times will offer multiple policy options in an effort to help clients find the coverage and premium levels most appropriate for them. When reviewing a Disability Income Insurance policy you may be faced with many terms that are important in defining the policy, but which may appear confusing. Here is a list of the most common terms you may encounter:

### ***Any Occupation***

This policy provision indicates that the insured will be considered disabled if and only if unable to perform the duties of any occupation for which he or she is qualified by education, training, or experience.

### ***Own Occupation***

A policy containing this provision will consider the insured disabled if the insured is unable to perform the duties of the insured's current occupation and the insured is not working at any other occupation.

### ***Elimination Period***

This is the amount of time at the beginning of a disability claim for which no disability benefits are paid. The longer your elimination period the less expensive your policy premiums should be. Typical choices available are 30, 60, 90, 180, 365, 720 day elimination periods. The most popular elimination period is 90 days.

### ***Benefit Period***

A benefit period is the period of time you are eligible to collect benefits while disabled. Typical choices available are 2 years, 5 years, to age 65, Social Security Retirement Age, or lifetime. The most popular benefit period is to age 65.

### ***Cost of Living Adjustment***

Often referred to as a COLA rider on a policy, this optional rider (may have additional cost) adjusts your benefit to help keep pace with inflation for claims lasting longer than 1 year.

### ***Guaranteed Renewable***

This refers to a provision that guarantees an insurance policy will continue in force as long as insurance premiums are paid on time. An insurance company can typically only cancel a guaranteed renewable policy for non-payment of premium. However, premiums can be increased for all policyholders within a particular group.

### ***Non-cancelable***

A policy which cannot be cancelled or altered by the insurance company and whose premiums will not increase as long as the insured continues to pay premiums on time.

### ***Riders***

A rider amends a policy by adding additional provisions to it. Riders may be available at an additional cost.

*Most insurance policies contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Your representative can provide you with costs and complete details.*

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# Income Replacement: Disability Income Insurance

A disability due to injury or illness can render you unable to work for an extended period of time, potentially leaving you and your loved ones without the one thing many consider their greatest asset; the ability to earn an income. Without this income your ability to meet normal living expenses, make mortgage payments, cover education costs and meet other expenses can be greatly diminished.

Disability Income Insurance is a financial tool that can protect you against the loss of income by providing a benefit that replaces all or part of your wages lost due to an illness or injury.

We're going to review **John and Jane's** disability income insurance needs by making the assumption that a long term disability has just occurred.

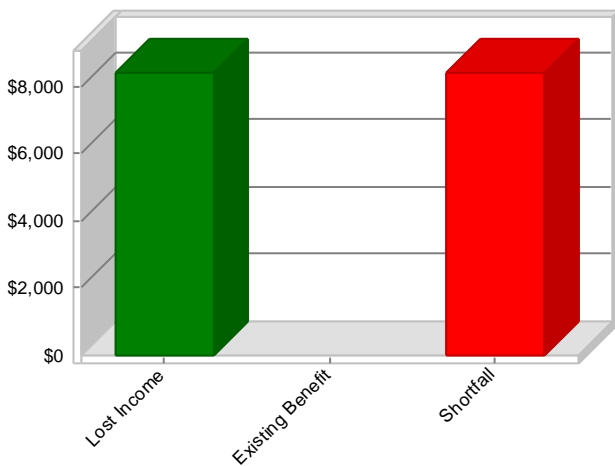
The annual amount of **John's** lost income we would like to replace is **\$12,000**. For this analysis, we are going to target an income replacement objective of **70.00%** of this income, or **\$8,400**. Existing long term disability insurance will provide **\$0** of that need with any taxable benefits being taxed at a rate of **25.0%**. This results in existing net coverage in the amount of **\$0**. In the event of a long term disability, there is a current annual **shortfall** of **(\$8,400)**.

The annual amount of **Jane's** lost income we would like to replace is **\$105,000**. For this analysis, we are going to target an income replacement objective of **70.00%** of this income, or **\$73,500**. Existing long term disability insurance will provide **\$0** of that need with any taxable benefits being taxed at a rate of **25.0%**. This results in existing net coverage in the amount of **\$0**. In the event of a long term disability, there is a current annual **shortfall** of **(\$73,500)**.

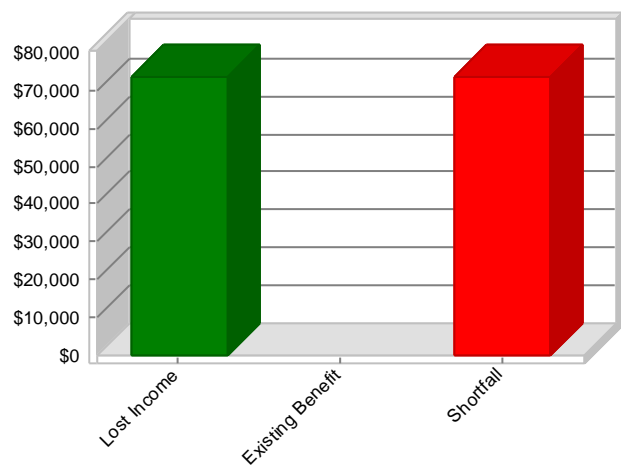
John's Lost Income	<b>\$12,000</b>
Income Replacement Objective	<b>\$8,400</b>
Shortfall	<b>(\$8,400)</b>

Jane's Lost Income	<b>\$105,000</b>
Income Replacement Objective	<b>\$73,500</b>
Shortfall	<b>(\$73,500)</b>

**John's Disability Income Replacement**



**Jane's Disability Income Replacement**



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## ***Basics of Homeowners Insurance***

*Homeowner's insurance is often times referred to as property insurance. This type of coverage protects you from damages to your:*

### ***Dwelling***

A dwelling (your home) is the structure you live in. For coverage purposes, your dwelling also includes your attached garages. A typical homeowner's policy may also cover damage to detached structures on your property, like a swimming pool or shed.

### ***Personal Property***

Personal property includes your furnishings and other belongings that you use, wear or collect. A basic policy insures these items from theft or peril-related damages. Typically, jewelry or other collectibles require separate coverage.

### ***Liability***

Liability coverage pays for accidents that occur on your property for which you are held responsible. This type of coverage protects you if you are sued for causing property damage or injury someone. For example, if someone slips and falls on your stairway, your homeowner's insurance will pay the medical bills and legal costs that could be incurred.

### ***Living Expense***

In the event you have to live elsewhere while your home is being repaired for a claim, a typical homeowner's policy will likely cover the additional living expenses that are incurred.

*Whether you are looking in to a new homeowner's policy or simply renewing your existing coverage, you may want to consider a few other particulars in your coverage:*

### ***Replacement Cost vs. Actual Cash Value***

You can either insure your belongings for their actual cash value, which pays to replace your home or possessions minus a deduction for depreciation, generally up to a policy limit. You could also opt for a replacement cost coverage, which pays the actual cost of replacing your home or possessions (no depreciation) up to a policy limit. Generally, the prices on replacement cost coverage, is about 10% more that actual cash value coverage.

### ***Your Personal Possessions***

Most homeowner's insurance policies provide coverage for your personal possessions for approximately 50 percent to 70 percent of the amount of insurance you have on your dwelling (home). Any limits on the policy typically appear on a declaration page. It is often suggested that you do a home inventory to determine if this amount of coverage is sufficient.

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## ***Additional Liability Coverage***

The liability coverage in a typical policy, helps protect you against lawsuits for bodily injury or property damage that you or family members cause to others, as described in the policy. It is recommended that homeowners consider purchasing adequate liability protection in their homeowners insurance. If you have significant assets that need protecting, you may even consider a personal umbrella policy, which would cover additional liability exposure beyond the amount covered in your homeowner's policy.

## ***Keep Good Records***

If something should happen and you need to file a major insurance claim, having up-to-date records of your home's contents and condition can become invaluable. Make a record of possessions, with pictures or video and store these records outside of the home, but in a secure easily accessible location.

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## Homeowners Insurance

Homeowners insurance provides financial protection for your home and personal property in the event of your home being damaged or destroyed. Your homeowners insurance should cover the following:

- ▶ The structure of your home
- ▶ Your personal possessions
- ▶ Your liability to others
- ▶ Living expenses should damages force you to live elsewhere

Your property value and your home value may be two entirely different amounts. Generally, you need enough homeowners coverage to replace 100% of your home's value. The value of the land is not insured. This analysis will look at the following properties:

Total Home Value
<b>\$420,000</b>
Value to Insure
<b>\$336,000</b>
Coverage Shortfall
<b>(\$336,000)</b>

Real Estate Property	Real Estate Value	Home Value	% of Real Estate Value
▶ Primary Residence	\$420,000	\$420,000	100.00%
<b>Total Valuation</b>	<b>\$420,000</b>	<b>\$420,000</b>	

*John and Jane Doe do not currently have any owned policies selected which cover the real estate above.*

Replacement cost is the amount it would take to replace or rebuild your home or repair damages with materials of a similar kind and quality. Many insurance companies require you to carry homeowners insurance equal to at least 80% of the replacement cost of your home or else they will not pay the full cost of repairing, rebuilding or replacing a partial loss. If you do have a serious or total loss, you will not be paid more than the total amount of the policy. For this analysis, we are suggesting you insure **80.00%** of any home's value, which totals **\$336,000** for the real estate you have defined.

Real Estate Property	Value to Insure	Coverage	Coverage Shortfall
▶ Primary Residence	\$336,000	\$0	(\$336,000)
<b>Total Valuation</b>	<b>\$336,000</b>		<b>(\$336,000)</b>

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## ***Umbrella Liability Coverage Basics***

The more your earning power and assets increase, the more you have at risk, and therefore, the more you need to protect. Without proper liability insurance to cover a claim or lawsuit, a judgment against you could allow the courts or person taking action, to go after your personal assets. Umbrella insurance protects you by covering damage claims that you and your dependent may cause, as described in the policy.

*An umbrella liability policy, operates as its name implies. The policy acts as an umbrella to cover over above the liability limits in your auto or homeowner's insurance.*

*For example, if there were a judgment against you for \$750,000, and your homeowner's or your auto policy only covered you up to \$300,000 of liability, a \$1,000,000 personal umbrella liability policy would pay the claim above the \$300,000*

*Without the umbrella policy, you would have to find the remaining \$450,000 on your own to pay the judgment.*

A longstanding myth about umbrella insurance coverage is that it is only for the wealthy. Umbrella coverage may not cost as much as one would think. This is due in large part to the fact that it does not assume risk until after your primary insurance policy (homeowner's or auto) is exhausted. The exact pricing can vary, but in many areas of the country, you can purchase a \$1 million umbrella liability policy for \$300 to \$500 per year.

To help determine if your situation requires a personal umbrella liability policy, consider some of the following things that may create an additional liability exposure:

- ▶ Backyard Pool or Trampoline
- ▶ Aggressive driving habits
- ▶ Frequent visits to your home by clients or employees
- ▶ Frequent entertaining at your home
- ▶ Owning a personal watercraft

Many insurance companies will require you to raise your homeowner's and auto insurance liability coverage to \$250,000 to \$300,000 to be eligible for an umbrella policy. This ensures that the major risk in being held by your homeowner's and auto policies instead of the umbrella policy.

### **How an Umbrella Liability Policy Works**



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## *Umbrella Insurance*

The idea that a personal umbrella policy is only for the wealthy is really a myth in today's world.

An umbrella policy provides coverage when you reach the limit on your underlying liability coverage in a homeowners, auto or boat policy. Because a personal umbrella policy goes into effect after underlying coverage is exhausted, there are certain limits that usually must be met in order to purchase this type of coverage.

Umbrella coverage is your last protection against liability, not your first, so many insurers will require you to have at least **\$250,000** of liability coverage on an auto policy and at least **\$300,000** on your homeowners policy before selling you an umbrella policy. These required amounts are typical, though not universally used. For this analysis we will assume that the required liability coverage for each homeowners policy is **\$300,000**. For automobile policies the assumption is **\$250,000**.

<b>Homeowner's Coverage</b>
Liability Requirement
<b>\$300,000</b>
Total Qualification Shortfall
<b>\$0</b>
<b>Automobile Coverage</b>
Liability Requirement
<b>\$250,000</b>
Total Qualification Shortfall
<b>\$0</b>
<b>Total Liability Exposure</b>
<b>\$0</b>

## *Umbrella Policy Example*

Here is an example of how a personal umbrella policy would work.

Let's assume that a neighbor dove into your pool and injured themselves. Let's further assume that this neighbor sued you for **\$800,000** in damages. After your homeowners policy pays out **\$300,000**, the policy is exhausted and a personal umbrella policy kicks in. If we assume you had a **\$1,000,000** umbrella policy, the remaining **\$500,000** in damages would be paid from your personal umbrella policy.

<b>Total Liability Exposure</b>	<b>\$800,000</b>
<b>Liability amount covered by Homeowners Policy</b>	<b>\$300,000</b>
<b>Liability amount covered by Umbrella Policy</b>	<b>\$500,000</b>
<b>Total Liability Coverage Applied</b>	<b>\$800,000</b>

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## Analysis Result Summary

This report summarizes the results of the analyses for John and Jane Doe. 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: John and Jane Doe  
Address: 123 Main St  
Hendersonville, TN 37075  
H: (615) 123-4567

Client: John Doe  
Date of Birth: 4/1/1957  
Current Age: 53  
Spouse: Jane Doe  
Date of Birth: 4/1/1960  
Current Age: 50

### Advisor Information

Prepared By: Kevin MacWilliams

### Analysis Performed

- Asset Protection Analysis

### Asset Protection - Income Replacement: Life Insurance

Life insurance is commonly used as a replacement for lost income in the event of a premature death. Life insurance provides a safety net by which you can ensure that those you leave behind are able to enjoy the standard of living that you would want.

John Doe	Jane Doe
John's Lost Income <b>\$180,000</b>	Jane's Lost Income <b>\$1,575,000</b>
Existing Life Insurance Benefit <b>\$800,000</b>	Existing Life Insurance Benefit <b>\$0</b>
Surplus <b>\$620,000</b>	Shortfall <b>(\$1,575,000)</b>

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## Asset Protection - Income Replacement: Disability Income Insurance

Disability income insurance is a financial tool that can protect you against the loss of income by providing a benefit that replaces all or part of your wages lost due to an illness or injury.

John Doe
John's Lost Income <b>\$12,000</b>
Income Replacement Objective <b>\$8,400</b>
Existing Net Coverage <b>\$0</b>
Shortfall <b>(\$8,400)</b>

Jane Doe
Jane's Lost Income <b>\$105,000</b>
Income Replacement Objective <b>\$73,500</b>
Existing Net Coverage <b>\$0</b>
Shortfall <b>(\$73,500)</b>

## Asset Protection - Homeowners Insurance

Total Home Value <b>\$420,000</b>
Value to Insure <b>\$336,000</b>
Coverage Shortfall <b>(\$336,000)</b>

Homeowners insurance provides financial protection for your home and personal property in the event of your home being damaged or destroyed. This analysis reviews the value of your home(s), as compared to the total real estate value, looks at your current homeowner's insurance, and determines if more insurance is required.

## Asset Protection - Umbrella Insurance

<b>Homeowner's Coverage</b> Total Qualification Shortfall <b>\$0</b>
<b>Automobile Coverage</b> Total Qualification Shortfall <b>\$0</b>
<b>Total Liability Exposure</b> <b>\$0</b>

Homeowner's and automobile insurance policies typically include some amount of liability coverage. This, however, may not be enough to safeguard your assets from lawsuits. Umbrella insurance provides additional liability protection beyond the amount provided by other policies.

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## Information Summary

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

### Family Information

Client: John and Jane Doe  
Address: 123 Main St  
Hendersonville, TN 37075  
H: (615) 123-4567

Client: John Doe  
Date of Birth: 4/1/1957  
Current Age: 53  
Spouse: Jane Doe  
Date of Birth: 4/1/1960  
Current Age: 50

### Asset Protection Analysis: Income Replacement - Life Insurance

#### Basic Assumptions

Analysis for: John and Jane

#### John's Analysis

<b>Income to be Replaced</b>	
John salary	\$12,000
<b>John's Income to Replace:</b>	<b>\$12,000</b>

Replacement Multiplier	15
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#### Existing Life Insurance

Cherie Term	\$400,000
John Term	\$400,000
<b>Total Life Insurance Benefit:</b>	<b>\$800,000</b>

#### Jane's Analysis

<b>Income to be Replaced</b>	
Jane salary	\$105,000
<b>Jane's Income to Replace:</b>	<b>\$105,000</b>

Replacement Multiplier	15
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## Asset Protection Analysis: Income Replacement - Disability Income Insurance

### Basic Assumptions

Analysis for: John and Jane

### John's Analysis

<b>Income to be Replaced</b>	
John salary	\$12,000
<b>John's Income to Replace:</b>	<b>\$12,000</b>
Income Replacement Objective	70.00%
Taxable Benefit Effective Tax Rate	25.0%

### Jane's Analysis

<b>Income to be Replaced</b>	
Jane salary	\$105,000
<b>Jane's Income to Replace:</b>	<b>\$105,000</b>
Income Replacement Objective	70.00%
Taxable Benefit Effective Tax Rate	25.0%

## Asset Protection Analysis: Homeowner's Insurance

### Basic Assumptions

Analysis for: John and Jane Doe  
% of Home's Value to Insure: 80.00%

### Real Estate

Real Estate Property	Real Estate Value	Home Value
Primary Residence	\$420,000	\$420,000
<b>Total Valuation:</b>	<b>\$420,000</b>	<b>\$420,000</b>

## Asset Protection Analysis: Umbrella Insurance

### Basic Assumptions

Analysis for: John and Jane Doe  
Required Homeowner's Liability Coverage: \$300,000  
Required Auto Liability Coverage Per Accident: \$250,000

### Existing Liability Coverage

Insurance Policy	Policy Type	Liability Coverage
<b>Total Liability Coverage:</b>		<b>\$0</b>

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