



John and Jane Doe

NEEDS ANALYSIS PRESENTATION
May 18, 2010

PREPARED BY:
Kevin MacWilliams
127B Powell Dr
Hendersonville, TN 37075
(615) 826-2279 x4

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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. 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

Disability Analysis

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Disability Income Insurance 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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Disability Income Insurance FAQs

What are the odds of actually becoming Disabled?

The odds are that one in 3 working Americans will become disabled for 90 days or more before age 65.¹

What is Disability Income Insurance?

Disability income insurance helps protect a portion of income when you are unable to work due to a disability. This coverage provides benefits that can be used to help pay living expenses when you are unable to work.

How much income will my policy protect?

Disability coverage provides a monthly benefit that is typically a percentage of the insured's pre-disability gross earnings. Often times, you can also purchase a cost of living adjustment rider that will increase the benefit each year based upon a specific amount set forth in the policy.

How long does Disability Income Insurance Coverage last?

The benefit period for a disability income policy can last as little as 1 year or as long as the insured's lifetime.

When would I receive my first monthly benefit?

There is a waiting period between the time you become disabled and the time you begin to receive benefit payments. Waiting periods can range anywhere from one week to two years. Typically, the longer the waiting period the lower the premium will be. In determining the waiting period, you should consider the amount of personal savings that would be exhausted between the onset of the disability and end of the waiting period.

What is the definition of Disability?

Disability income insurance policies can be purchased with one of two different definitions for disability, or the policy may contain both definitions. You will qualify for benefits on a policy with an "Own Occupation" definition if you are not able to perform the main duties of your own specific occupation and you are not working at any other occupation. On a policy with an "Any Occupation" definition of disability, you will qualify for benefits if you are unable to perform the duties of any job for which your education, training and experience qualify you.

Won't Social Security provide income replacement if I become disabled?

The definition of disability by the Social Security Administration is different. To be eligible for benefits under the Social Security Administration's definition of disability, a person must be unable to do any kind of substantial gainful employment because of a physical or mental impairment, which is expected to either last at least 12 months or result in your death. Effective January 2008, the Social Security Income payment for an eligible individual who is disabled is \$637 per month and \$956 per month for an eligible couple². In most circumstances this does not allow you to cover your living expenses.

¹ National Association of Insurance Commissioners Individual Disability Table A, 1985

² www.ssa.gov/legislation/2008factsheet.pdf

Client's Disability

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Loss of Your Income

A disability due to injury or sickness may render you unable to work for an extended period of time, leaving you and your loved ones without the one thing many consider as one of their greatest assets - 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 may be greatly diminished.

Let's look at the impact a disability to **John** would have on your income.

John currently earns **\$12,000** per year (pre-tax) and income from Jane and other sources provide an additional **\$105,000** (pre-tax), giving you a total current annual income of **\$117,000** per year. In the event that John suffers a disability, **10.3%** of your family's income will be lost.

Current Total Income	\$117,000
Income after Disability	\$105,000
Total Loss of Income	\$12,000
Percent of Income Lost	10.3%

How much income will you have?

The chart below compares the income you enjoy today (\$117,000), with the income that will remain after a disability to John occurs (\$105,000). With only **89.7%** of your current income remaining in such an event, it may be a good idea to explore ways in which you can protect the income lost.



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Your Income Replacement Objective

Disability Income Insurance can help protect you against the loss of income by providing a benefit that helps replace a portion of your income in the event of sickness or a disability. The key component of any Disability Income Insurance Analysis is to define your *Income Replacement Objective*. The *Income Replacement Objective* is the percentage of your current earned income that you could expect to have replaced through disability income insurance benefits. Typically, between 60% and 80% of the lost income is covered.

Now let's take a look at how well you are currently protected against a disability occurring to **John**.

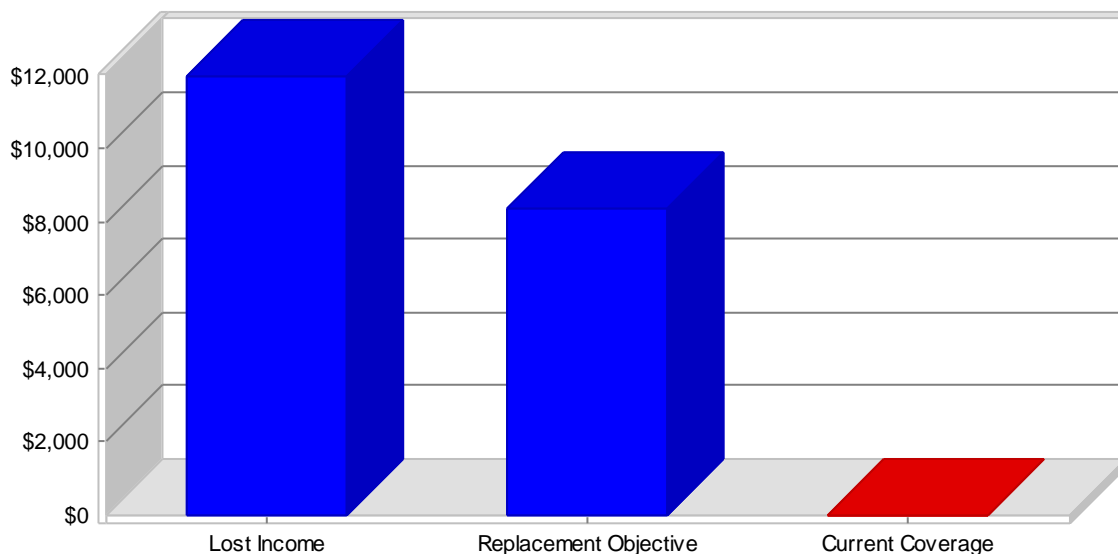
For this analysis we'll target an Income Replacement Objective of **70%** of your current gross earned income, or **\$8,400** per year. Your existing disability insurance will provide a gross annual benefit of **\$0**.

John's Lost Income	\$12,000
Income Replacement Objective	\$8,400
Existing Net Coverage	\$0
Annual Shortfall	\$8,400

How Much of Your Income Will be Replaced?

The chart below compares the income you will lose, your income replacement objective and your current disability coverage. It shows that your current disability coverage does not meet your desired level of replacement income.

Your Coverage vs. Your Objective



Note: The definition of disability under Social Security is different than other programs. Social Security pays only for total disability. No benefits are payable for partial disability or for short-term disability. Because of this different definition, we do not assume any social security benefits in this analysis. Source: www.socialsecurity.gov. Also, the definition of disability is based on the policy purchased.

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Income vs. Expenses

Examining how your expected income will stack up against your likely expenses is critical in determining the true impact a disability could have on your family. If your remaining income is not enough to pay off your expenses, your savings could be quickly depleted.

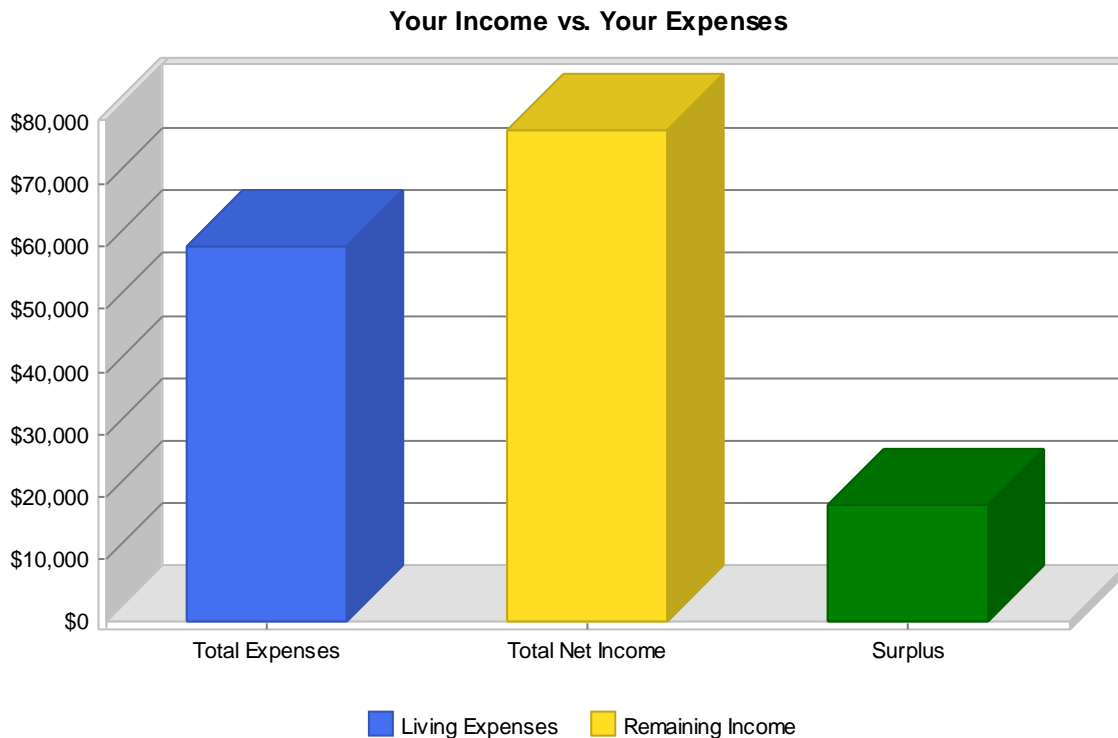
In the event of a disability occurring to John, your living expenses will be **\$5,000** per month (or **\$60,000** per year) and you can expect additional health care costs of **\$0** per month (**\$0** per year). This results in a total annual expense of **\$60,000**.

You will have **\$105,000** from Jane's income and other income sources to offset these expenses, but have **no existing disability coverage**. After income is taxed at **25.0%**, you will have **\$78,750** of available net income.

Total Annual Expenses	\$60,000
Net Income Sources	\$78,750
Existing Net Benefits	\$0
Annual Shortfall	\$0

Can you meet your expenses?

The chart below compares the income that will be available after John's disability with the expenses you will incur. The green Surplus bar shows that your remaining income sources and disability benefits will be sufficient to cover your expenses.



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Replacing Your Income

Disability income insurance is an important protection product. Without it, you may have to self insure against the loss of earning power that comes with being physically unable to work. Disability income insurance protects a portion of wages lost by individuals due to a qualifying disability.

In the event of a disability occurring to John, **\$12,000** of income will be lost. Your Income Replacement Objective is **70%** of that value, or **\$8,400**. You currently have **No** existing disability income insurance coverage, which is not enough to satisfy your Replacement Objective.

In order to meet your Income Replacement Objective, you will need an additional **\$8,400** of disability income insurance. This additional coverage will bring your total net income (in the event of a disability) to **\$87,150** per year.

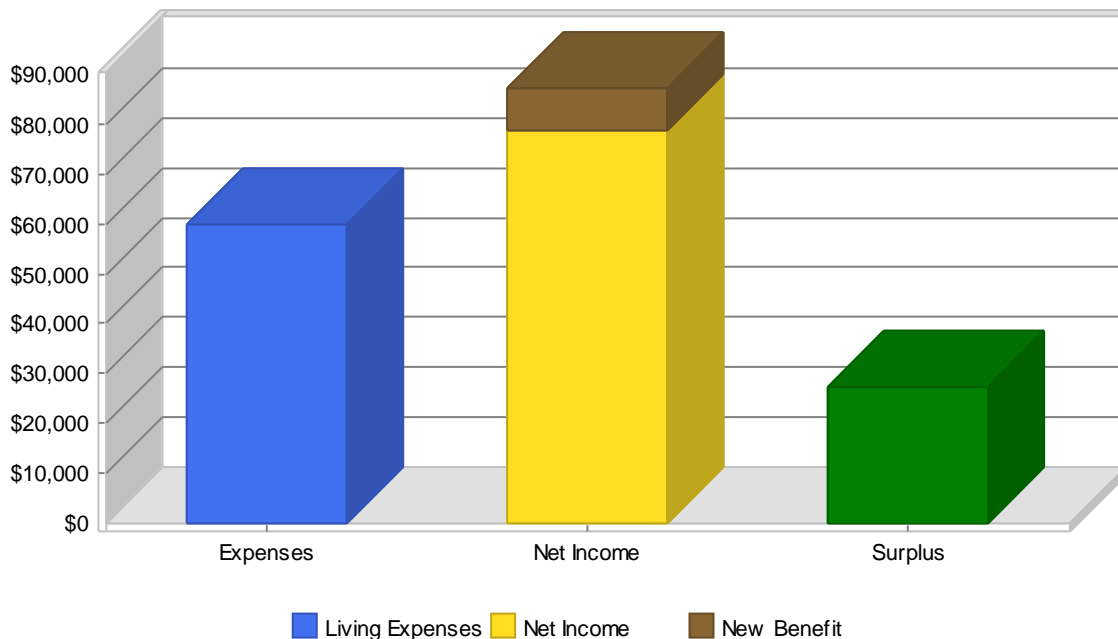
When stacked against your annual expenses of **\$60,000** your total net income will result in a surplus of **\$27,150** per year.

Total Annual Expenses	\$60,000
Net Income Sources	\$78,750
Existing Net Benefits	\$0
Additional Benefits	\$8,400
Annual Shortfall	\$0

Can you meet your expenses?

The chart below compares the income that will be available after John's disability with the expenses you will incur, and includes proposed disability insurance benefits. The green Surplus bar shows that your remaining income sources and disability benefits will be sufficient to cover your expenses.

Your Income vs. Your Expenses



Note: The definition of disability under Social Security is different than other programs. Social Security pays only for total disability. No benefits are payable for partial disability or for short-term disability. Because of this different definition, we do not assume any social security benefits in this analysis. Source: www.socialsecurity.gov. Also, the definition of disability is based on the policy purchased.

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The Benefit of Disability Income Insurance

In the event that **John** suffers a disability which eliminates the ability to earn an income, your expected remaining income sources will provide enough funds to cover your expected expenses.



By the Numbers

The table below breaks out the income and expenses you have today, and those you expect in the event of a disability to **John**. You can see in the bottom line that the annual shortfall or surplus is improved by the income benefits provided by disability insurance.

	No Disability	Disability Occurs with Current Coverage	Disability Occurs with New Coverage
Annual Expenses	\$60,000	\$60,000	\$60,000
John's Net Income	\$9,000	\$0	\$0
Other Net Income	\$78,750	\$78,750	\$78,750
Net Disability Insurance Benefits	\$0	\$0	\$8,400
Annual shortfall	\$0 shortfall	\$0 shortfall	\$0 shortfall

Note: The definition of disability under Social Security is different than other programs. Social Security pays only for total disability. No benefits are payable for partial disability or for short-term disability. Because of this different definition, we do not assume any social security benefits in this analysis. Source: www.socialsecurity.gov. Also, the definition of disability is based on the policy purchased.

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Spouse's Disability

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Loss of Your Income

A disability due to injury or sickness may render you unable to work for an extended period of time, leaving you and your loved ones without the one thing many consider as one of their greatest assets - 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 may be greatly diminished.

Let's look at the impact a disability to **Jane** would have on your income.

Jane currently earns **\$105,000** per year (pre-tax) and income from John and other sources provide an additional **\$12,000** (pre-tax), giving you a total current annual income of **\$117,000** per year. In the event that Jane suffers a disability, **89.7%** of your family's income will be lost.

Current Total Income	\$117,000
Income after Disability	\$12,000
Total Loss of Income	\$105,000
Percent of Income Lost	89.7%

How much income will you have?

The chart below compares the income you enjoy today (\$117,000), with the income that will remain after a disability to Jane occurs (\$12,000). With only **10.3%** of your current income remaining in such an event, it may be a good idea to explore ways in which you can protect the income lost.



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Your Income Replacement Objective

Disability Income Insurance can help protect you against the loss of income by providing a benefit that helps replace a portion of your income in the event of sickness or a disability. The key component of any Disability Income Insurance Analysis is to define your *Income Replacement Objective*. The *Income Replacement Objective* is the percentage of your current earned income that you could expect to have replaced through disability income insurance benefits. Typically, between 60% and 80% of the lost income is covered.

Now let's take a look at how well you are currently protected against a disability occurring to **Jane**.

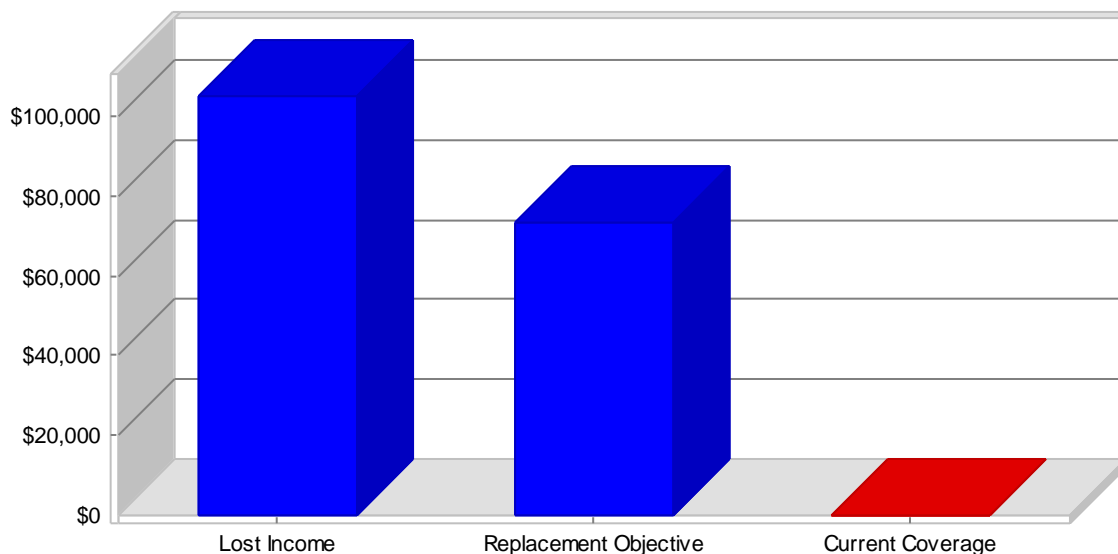
For this analysis we'll target an Income Replacement Objective of **70%** of your current gross earned income, or **\$73,500** per year. Your existing disability insurance will provide a gross annual benefit of **\$0**.

Jane's Lost Income	\$105,000
Income Replacement Objective	\$73,500
Existing Net Coverage	\$0
Annual Shortfall	\$73,500

How Much of Your Income Will be Replaced?

The chart below compares the income you will lose, your income replacement objective and your current disability coverage. It shows that your current disability coverage does not meet your desired level of replacement income.

Your Coverage vs. Your Objective



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Income vs. Expenses

Examining how your expected income will stack up against your likely expenses is critical in determining the true impact a disability could have on your family. If your remaining income is not enough to pay off your expenses, your savings could be quickly depleted.

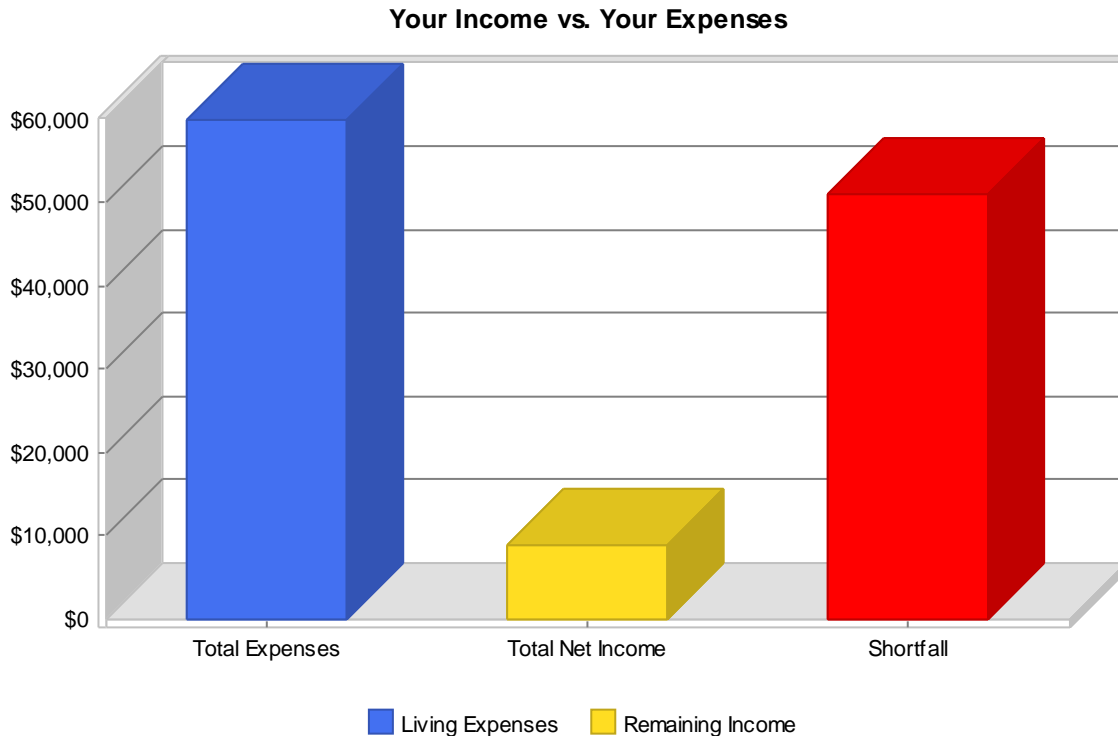
In the event of a disability occurring to Jane, your living expenses will be **\$5,000** per month (or **\$60,000** per year) and you can expect additional health care costs of **\$0** per month (**\$0** per year). This results in a total annual expense of **\$60,000**.

You will have **\$12,000** from John's income and other income sources to offset these expenses, but have **no existing disability coverage**. After income is taxed at **25.0%**, you will have **\$9,000** of available net income.

Total Annual Expenses	\$60,000
Net Income Sources	\$9,000
Existing Net Benefits	\$0
Annual Shortfall	\$51,000

Can you meet your expenses?

The chart below compares the income that will be available after Jane's disability with the expenses you will incur. The red Shortfall bar shows that your remaining income sources and disability benefits will not be enough to offset your expenses.



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Replacing Your Income

Disability income insurance is an important protection product. Without it, you may have to self insure against the loss of earning power that comes with being physically unable to work. Disability income insurance protects a portion of wages lost by individuals due to a qualifying disability.

In the event of a disability occurring to Jane, **\$105,000** of income will be lost. Your Income Replacement Objective is **70%** of that value, or **\$73,500**. You currently have **No** existing disability income insurance coverage, which is not enough to satisfy your Replacement Objective.

In order to meet your Income Replacement Objective, you will need an additional **\$73,500** of disability income insurance. This additional coverage will bring your total net income (in the event of a disability) to **\$82,500** per year.

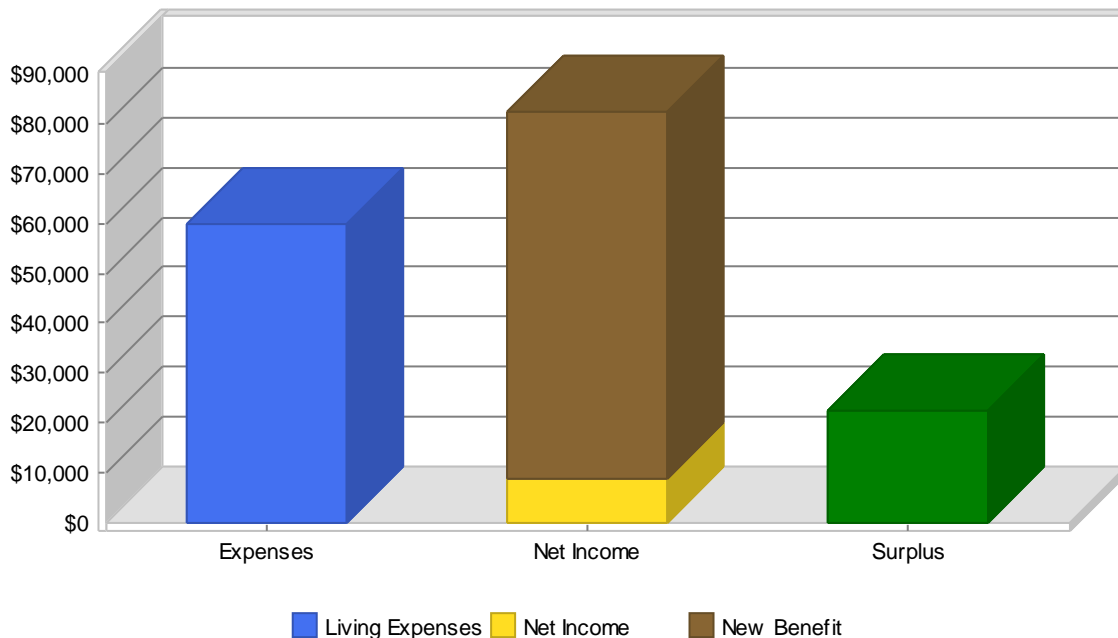
When stacked against your annual expenses of **\$60,000** your total net income will result in a surplus of **\$22,500** per year.

Total Annual Expenses	\$60,000
Net Income Sources	\$9,000
Existing Net Benefits	\$0
Additional Benefits	\$73,500
Annual Shortfall	\$0

Can you meet your expenses?

The chart below compares the income that will be available after Jane's disability with the expenses you will incur, and includes proposed disability insurance benefits. The green Surplus bar shows that your remaining income sources and disability benefits will be sufficient to cover your expenses.

Your Income vs. Your Expenses



Note: The definition of disability under Social Security is different than other programs. Social Security pays only for total disability. No benefits are payable for partial disability or for short-term disability. Because of this different definition, we do not assume any social security benefits in this analysis. Source: www.socialsecurity.gov. Also, the definition of disability is based on the policy purchased.

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The Benefit of Disability Income Insurance

In the event that **Jane** suffers a disability which eliminates the ability to earn an income, your expected remaining income sources will fall **\$51,000** short of your anticipated expenses of **\$60,000** per year.

Additional long term disability insurance coverage in the amount of **\$73,500** will meet your income replacement objective and increase your net income to **\$82,500**, reducing your annual shortfall to **\$0**.



By the Numbers

The table below breaks out the income and expenses you have today, and those you expect in the event of a disability to **Jane**. You can see in the bottom line that the annual shortfall or surplus is improved by the income benefits provided by disability insurance.

	No Disability	Disability Occurs with Current Coverage	Disability Occurs with New Coverage
Annual Expenses	\$60,000	\$60,000	\$60,000
Jane's Net Income	\$78,750	\$0	\$0
Other Net Income	\$9,000	\$9,000	\$9,000
Net Disability Insurance Benefits	\$0	\$0	\$73,500
Annual shortfall	\$0 shortfall	\$51,000 shortfall	\$0 shortfall

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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

- Disability Analysis
for: *Client's Disability*
for: *Spouse's Disability*

Result Summary

John's Lost Income
\$12,000
Income Replacement Objective
\$8,400
Existing Net Coverage
\$0
Annual Shortfall
\$8,400

The disability analysis looks at the impact of an unexpected disability to **John** and the resulting loss of income. The Income Replacement Objective is the percentage of your current earned income that you could expect to have replaced through disability income insurance benefits. Typically this value runs from 60% to 80% of the lost income. If a shortfall exists, the additional amount of disability income insurance needed to cover the shortfall is calculated.

Based upon the assumptions utilized in this analysis, in the event of an unexpected disability to **John** in **2010**, there is a **shortfall** in meeting your Income Replacement Objective. In order to fully fund your income replacement objective, an additional disability income insurance benefit of **\$8,400** would be required.

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Result Summary

Jane's Lost Income
\$105,000
Income Replacement Objective
\$73,500
Existing Net Coverage
\$0
Annual Shortfall
\$73,500

The disability analysis looks at the impact of an unexpected disability to **Jane** and the resulting loss of income. The Income Replacement Objective is the percentage of your current earned income that you could expect to have replaced through disability income insurance benefits. Typically this value runs from 60% to 80% of the lost income. If a shortfall exists, the additional amount of disability income insurance needed to cover the shortfall is calculated.

Based upon the assumptions utilized in this analysis, in the event of an unexpected disability to **Jane** in **2010**, there is a **shortfall** in meeting your Income Replacement Objective. In order to fully fund your income replacement objective, an additional disability income insurance benefit of **\$73,500** would be required.

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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

Disability Income Insurance Analysis

Basic Assumptions

Analysis for: John Doe
Date of Birth: 4/1/1957
Current Age: 53

Financial Assumptions

Living Expenses: \$5,000/month (\$60,000/year)
Disability Expenses: \$0/month (\$0/yr)
Income Tax Rate: 25.0%

Existing Disability Insurance

Policy Name	Insured	Annual Benefit	Taxable	Net Benefit
None				

Income Sources

	Gross Amount	Net Amount
Jane salary	\$105,000	\$78,750
John salary	\$12,000	\$9,000
Total	\$117,000	\$87,750

Disability Income Insurance Analysis

Basic Assumptions

Analysis for: Jane Doe
Date of Birth: 4/1/1960
Current Age: 50

Financial Assumptions

Living Expenses: \$5,000/month (\$60,000/year)
Disability Expenses: \$0/month (\$0/yr)
Income Tax Rate: 25.0%

Existing Disability Insurance

Policy Name	Insured	Annual Benefit	Taxable	Net Benefit
None				

Income Sources

	Gross Amount	Net Amount
Jane salary	\$105,000	\$78,750
John salary	\$12,000	\$9,000
Total	\$117,000	\$87,750

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