



John and Katie Winters

360 WEALTH MANAGEMENT -DISABILITY INS.
November 29, 2012

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Sample

Disclaimer

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

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

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

Additionally, this report may not reflect all holdings or transactions, their costs, or proceeds received by you. It may contain information on assets that are not held at the broker/dealer with whom your financial representative is registered. As such, those assets will not be included on the broker/dealer's books and records. 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. Projected valuations and/or rates of return may not take into account surrender charges on products you might own. 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. Also, your account(s) may not be covered by FDIC or SIPC. FDIC and SIPC coverages apply only to certain assets and may be subject to limitations. Questions about coverage that may apply should be directed to the asset provider or sponsor.

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

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

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

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

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

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

Client(s): _____
John Winters _____ Date

Katie Winters _____ Date

Advisor: _____
William Wilkinson, CFP ChFC, CLU, CASL, AIF _____ Date



Basics of Disability Income Insurance

Prepared for John and Katie Winters

Disability planning should be part of a comprehensive insurance or risk management analysis. It is important to consider the financial risks of certain unforeseen events such as a prolonged illness or a disability that could result in being unable to work.

Proper insurance coverage is the foundation of a comprehensive financial plan. Understanding the amount and types of insurance you require should be the result of sound analysis and reasoned considerations. The following reports look specifically at your disability risks and will help you gain an understanding of your current disability coverage, if any, and how it may compare to your desired coverage.

Items to consider when analyzing your disability income insurance coverage include:

Methodologies

There can be different methodologies when analyzing disability insurance coverage. The income protection method simply attempts to compare your current coverage with a desired income protection objective. The cash flow method is more complex and attempts to see if your current coverage would allow you to maintain positive portfolio assets for your lifetime.

Income Protection Gap Percentage

This is the amount of lost income you want to protect with insurance in the event you are disabled. A common rule of thumb is to protect between 60% and 80% of your income. Factors to consider when determining your protection percentage are the tax status of existing policies, spousal and other income that is expected to still be available, social security benefits if qualified, and the amount of mandatory expenses due to lifestyle.

Benefit Inflation

While level benefit policies are less expensive, it is generally suggested that a policy with some level of inflation adjustment be purchased. It is very important to have your policy benefits maintain its purchasing power over time. (This is typically a rider and additional cost may be associated.)

Definition of Disability

There are different ways to determine if someone is disabled. It is important to understand how your policy defines disability. For example, some policies will not pay benefits if you can perform another job for which you are reasonably trained. Other more liberal policies will pay benefits if you can no longer perform the duties of your own occupation. The fact that you could reasonably perform another job based on your training is irrelevant. The extra premium for the more liberal policy might be money well spent based on your specific situation.

Taxation of Benefits

Disability policies are generally purchased in one of two ways: individually or through your employer as a benefit. You pay the premium on individual policies but receive non-taxable benefits. Benefits from employer provided policies are taxable to the extent that your employer paid the premium. For example, if your employer pays half of the premium then half of the benefit is taxable. Also, policies through your employer may not be portable if you change jobs.

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Cost of Disability

Base Facts with Disability Occurs - Client

Prepared for John and Katie Winters

For most people their greatest financial asset is the ability to earn a living. Without your current income, your lifestyle and family goals could be in jeopardy. What type of impact could a disability event have upon your finances?

The disability event for John is assumed to start in 2012 at age 54 and last through lifetime (2048). John's lost income starts at \$145,000 in 2012 and reaches a cumulative lost income of \$1,928,385.

This report assumes no additional health care costs are incurred during the disability period.

This disability event results in \$145,000 reduction in income for John in 2012 and a total cost of disability of \$1,928,385.

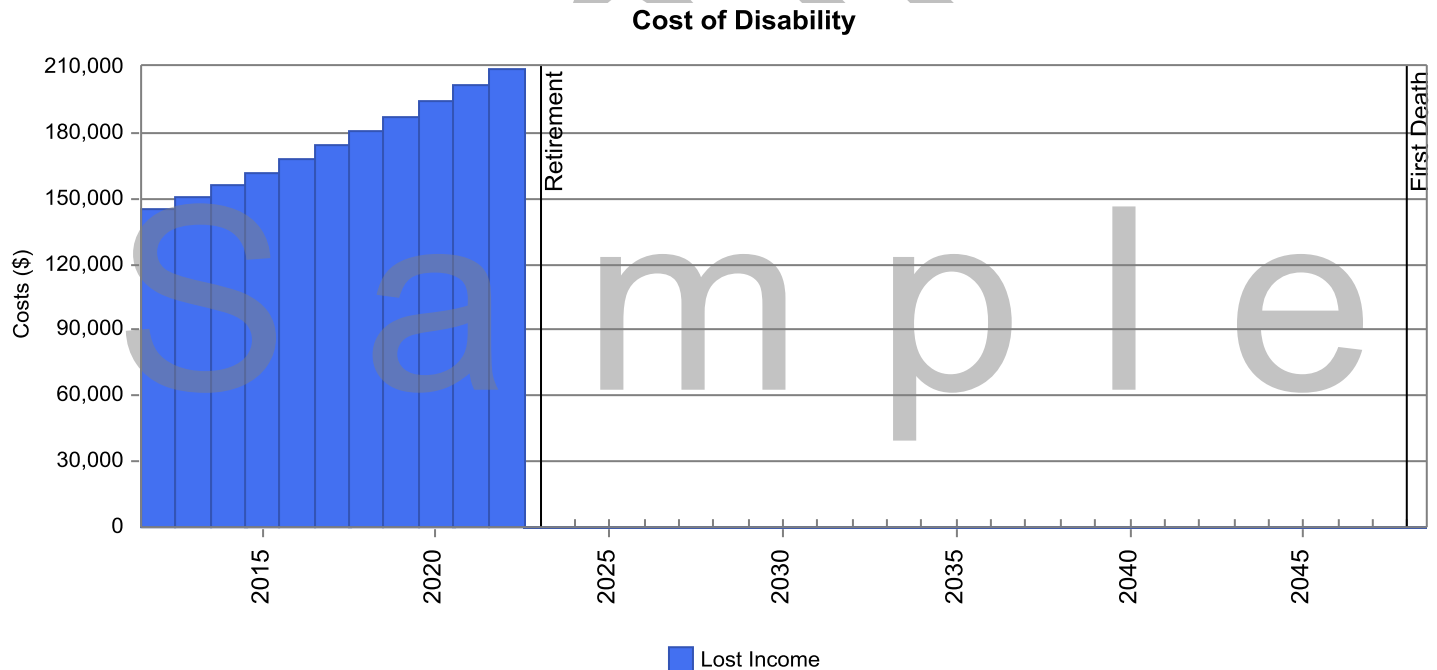
SUMMARY

Income Lost (2012)	\$145,000
Income Lost (2012-2048)	\$1,928,385
Additional Costs	\$0
Total Cost of Disability	\$1,928,385

The total cost of disability is the total of all income lost plus any additional costs during the disability period. Only salary and bonuses in John's name are taken into account when calculating lost income.

Total Cost of Disability

The chart below illustrates the mounting costs of a disability event, showing the lost income and any additional costs if they exist. The total cost of disability for this scenario is \$1,928,385.



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Disability Wealth Effect

Base Facts with Disability Occurs - Client

Prepared for John and Katie Winters

The true cost of disability is not limited to the lost income from being unable to work or any extra medical costs. There is also an opportunity cost resulting from not being able to invest and grow any of that money. This report looks at the overall wealth that could be lost due to a disability event.

The defined disability event for **John** results in a direct cost of **\$1,928,385** offset by cumulative disability benefits of **\$1,013,188** for a net cost of **\$915,197**.

SUMMARY	
Total Costs (2012-2048)	\$1,928,385
Disability Benefits (2012-2048)	\$1,013,188
Net Cost (2012-2048)	\$915,197
Wealth Reduction	
\$1,647,695 (2048)	
\$1,927,135 (2053)	

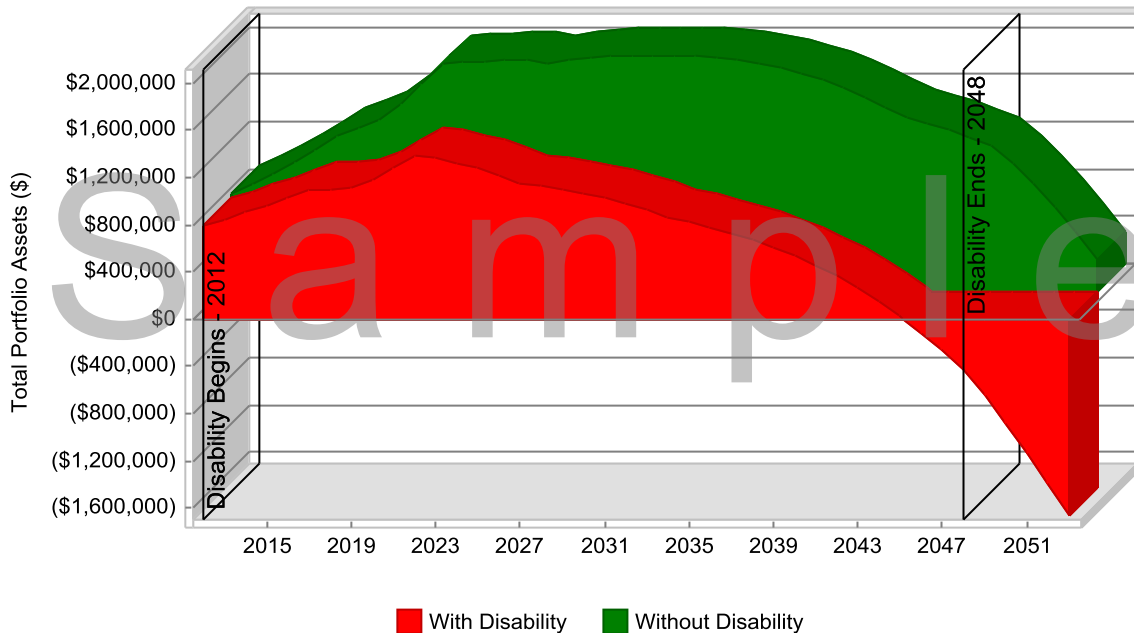
Year	Portfolio Assets without Disability	Portfolio Assets with Disability
Start of Disability Event (2012)	\$754,285	\$754,285
End of Disability Event (2048)	\$1,227,115	(\$420,580)
Last Death (2053)	\$267,699	(\$1,659,436)

The defined disability event for **John** could result in the depletion of **\$1,927,135**, or **over 100.00%**, of portfolio assets by **2053**.

Wealth Effect of Disability

The effect of disability on wealth can be significant due to the lost investment potential of assets. The chart below illustrates this wealth reduction by comparing total portfolio assets with and without the defined disability event.

Disability Wealth Effect



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Income Protection Objective

Base Facts with Disability Occurs - Client

Prepared for John and Katie Winters

Regardless of their wealth, most people want to have some level of income protection in the event of a disability. Your protection objective is the amount of lost income you want to protect in the event of disability. A common rule of thumb is to protect between 60% and 80% of earned income.

In the event of John's disability, there are factors that can help determine an appropriate protection objective including taxation of disability benefits, family income that is still available, and possibly Social Security benefits.

John's lost income starts at \$145,000 in 2012 and reaches a cumulative lost income of \$1,928,385.

The income protection objective of 70% requires \$101,500 of benefits in 2012 and a total of \$1,349,870 through 2022. Existing disability coverage is projected to pay \$70,688 of benefits in 2012 and total benefits of \$1,013,188.

SUMMARY

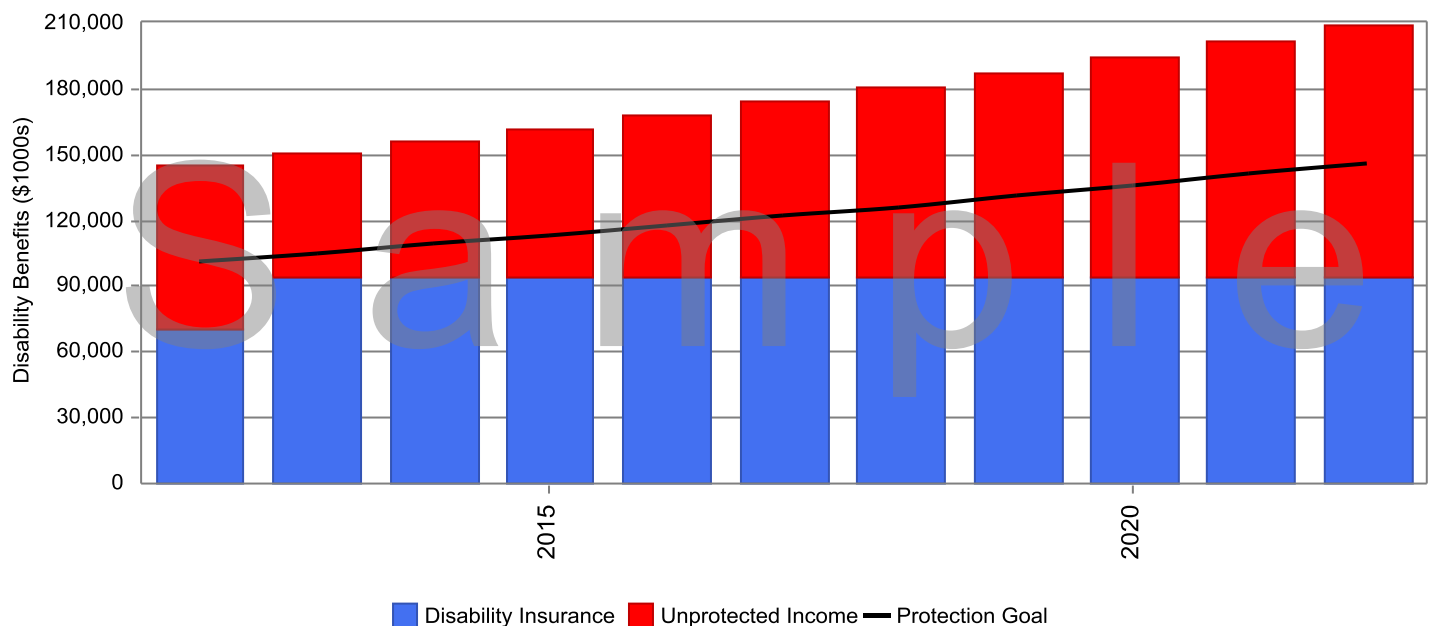
Protection Obj. (70%)
\$101,500 (2012)
\$1,349,870 (2012-2022)
Existing Disability Coverage
\$70,688 (2012)
\$1,013,188 (2012-2022)
Lost Income Protected
49% (2012)
53% (2012-2022)

Existing benefits are projected to protect 49% of lost income in 2012 and 53% of lost income over the entire disability period, which does not meet the protection goal of 70%.

Protection Objective and Current Insurance

The chart below compares the current disability benefits to the amount of lost income and protection objective through 2022.

Income Protection Objective



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Income Protection Objective

Base Facts with Disability Occurs - Client

Prepared for John and Katie Winters

Year	Age	Lost Income	Income Protection Objective	Existing Insurance Benefits	Total Benefits	Shortfall Amount	Protection Percentage
2012	54/49	\$145,000	\$101,500	\$70,688	\$70,688	\$30,812	49%
2013	55/50	150,409	105,286	94,250	94,250	11,036	63%
2014	56/51	156,019	109,213	94,250	94,250	14,963	60%
2015	57/52	161,839	113,287	94,250	94,250	19,037	58%
2016	58/53	167,876	117,513	94,250	94,250	23,263	56%
2017	59/54	174,138	121,897	94,250	94,250	27,647	54%
2018	60/55	180,633	126,443	94,250	94,250	32,193	52%
2019	61/56	187,371	131,160	94,250	94,250	36,910	50%
2020	62/57	194,360	136,052	94,250	94,250	41,802	48%
2021	63/58	201,610	141,127	94,250	94,250	46,877	47%
2022	64/59	209,130	146,391	94,250	94,250	52,141	45%
Totals		\$1,928,385	\$1,349,869	\$1,013,188	\$1,013,188	\$336,681	53%

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Disability Gap Analysis

Base Facts with Disability Occurs - Client

Prepared for John and Katie Winters

This analysis reflects the cash flow gap created by a disability event, as well as the potential insurance solution to cover all or part of that gap.

The disability event for John is assumed to start in 2012 when John is age 54 and last through lifetime (2048). This report assumes no additional health care costs are incurred during the disability period.

Existing disability insurance benefits in 2012 are projected to be \$70,688.

Your cash flow and remaining asset goal may be achieved with additional coverage providing \$28,000 per year when disability starts.

The result above assumes a policy with the following characteristics:

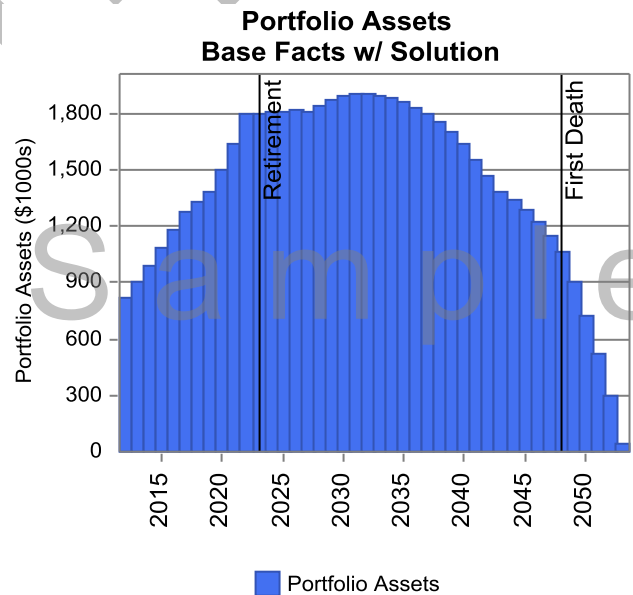
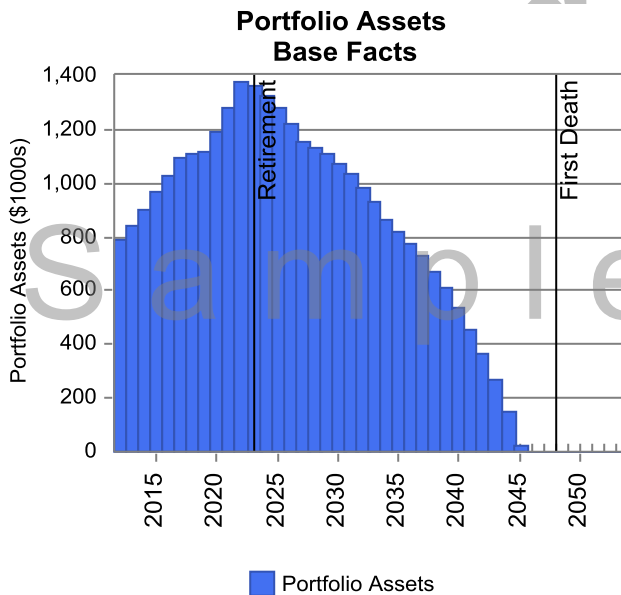
- Reduced by Social Security
- Maximum Benefit Period To Age 65
- Cost of Living Adjustment 0.00% (Compound)
- Benefit is Not Taxable

SUMMARY

Disability Period	Age 54 - 90 (2012-2048)
Existing Benefits (2012)	\$70,688
Additional Coverage	\$28,000
Unfunded Years	8 (current) 0 (new)
Remaining Assets (2053)	(\$1,659,436) (current) \$47,405 (new)

Portfolio Assets

The charts below show the amount of portfolio assets you can expect to have in each of the disability scenarios, one using current assumptions and the other using the above result.



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Disability Gap Analysis

Base Facts with Disability Occurs - Client

Prepared for John and Katie Winters

Year	Age	Income Flows	Social Security Disability	Investment Income	Planned Distributions	Existing Disability Benefits	Additional Disability Benefits	Total Inflows	Total Expenses	Total Outflows	Total Portfolio Assets
2012	54/49	\$45,000	\$0	\$0	\$0	\$70,688	\$28,000	\$143,688	\$134,493	\$138,993	\$821,628
2013	55/50	46,679	0	0	0	94,250	28,000	168,929	147,136	151,804	906,541
2014	56/51	48,420	0	0	0	94,250	28,000	170,670	151,164	156,006	994,550
2015	57/52	50,226	0	0	0	94,250	28,000	172,476	155,248	160,271	1,086,110
2016	58/53	52,099	0	0	0	94,250	28,000	174,349	159,784	164,994	1,181,316
2017	59/54	54,042	0	0	0	94,250	28,000	176,292	164,569	169,973	1,280,508
2018	60/55	56,058	0	0	0	94,250	28,000	178,308	222,541	228,147	1,331,136
2019	61/56	58,149	0	0	0	94,250	28,000	180,399	236,217	242,032	1,378,182
2020	62/57	60,318	0	0	0	94,250	28,000	182,568	172,294	178,326	1,499,326
2021	63/58	62,568	0	0	0	94,250	28,000	184,818	161,397	167,654	1,642,936
2022	64/59	64,902	0	0	0	94,250	28,000	187,152	167,461	173,951	1,792,901
2023	65/60	41,236	0	0	0	0	0	41,236	136,229	136,229	1,800,513
2024	66/61	42,774	0	0	0	0	0	42,774	140,229	140,229	1,807,867
2025	67/62	44,369	0	0	0	0	0	44,369	144,364	144,364	1,812,511
2026	68/63	46,024	0	0	0	0	0	46,024	148,784	148,784	1,814,176
2027	69/64	47,741	0	0	0	0	0	47,741	153,389	153,389	1,812,518
2028	70/65	100,156	0	0	30,631	0	0	130,787	174,578	174,578	1,841,411
2029	71/66	103,444	0	0	32,258	0	0	135,702	181,090	181,090	1,868,666
2030	72/67	106,855	0	0	33,968	0	0	140,823	187,739	187,739	1,894,041

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Year	Age	Income Flows	Social Security Disability	Investment Income	Planned Distributions	Existing Disability Benefits	Additional Disability Benefits	Total Inflows	Total Expenses	Total Outflows	Total Portfolio Assets
2031	73/68	110,394	0	0	35,767	0	0	146,161	211,275	211,275	1,900,656
2032	74/69	114,064	0	0	35,170	0	0	149,234	222,816	222,816	1,899,964
2033	75/70	117,871	0	0	58,002	0	0	175,873	232,690	232,690	1,893,393
2034	76/71	121,820	0	0	58,485	0	0	180,305	242,897	242,897	1,880,439
2035	77/72	125,916	0	0	58,456	0	0	184,372	253,482	253,482	1,860,534
2036	78/73	130,165	0	0	58,133	0	0	188,298	264,463	264,463	1,833,070
2037	79/74	134,573	0	0	57,126	0	0	191,699	275,854	275,854	1,797,398
2038	80/75	139,145	0	0	55,472	0	0	194,617	287,669	287,669	1,752,822
2039	81/76	143,887	0	0	53,043	0	0	196,930	299,926	299,926	1,698,601
2040	82/77	148,806	0	0	49,511	0	0	198,317	312,639	312,639	1,633,946
2041	83/78	153,909	0	0	44,992	0	0	198,901	325,827	325,827	1,558,013
2042	84/79	159,202	0	0	38,900	0	0	198,102	339,507	339,507	1,469,902
2043	85/80	164,692	0	0	32,959	0	0	197,651	336,214	336,214	1,386,138
2044	86/81	170,387	0	0	26,209	0	0	196,596	300,811	300,811	1,338,776
2045	87/82	176,295	0	0	21,877	0	0	198,172	312,459	312,459	1,284,059
2046	88/83	182,424	0	0	15,859	0	0	198,283	324,768	324,768	1,220,646
2047	89/84	188,781	0	0	8,411	0	0	197,192	337,536	337,536	1,147,858
2048	90/85	195,375	0	0	0	0	0	195,375	350,780	350,780	1,064,883
2049	91/86	118,853	0	0	0	0	0	118,853	347,482	347,482	903,448
2050	92/87	122,839	0	0	0	0	0	122,839	360,653	360,653	722,642
2051	93/88	126,973	0	0	0	0	0	126,973	374,317	374,317	520,897
2052	94/89	131,261	0	0	0	0	0	131,261	388,546	388,546	296,481
2053	95/90	135,709	0	0	0	0	0	135,709	403,493	403,493	47,405

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Disability Summary

Base Facts with Disability Occurs - Client

Prepared for John and Katie Winters

The following is a summary of the general details of the selected disability event. It also displays lost income sources and disability policies, as these are the main items that impact disability analysis.

Disability Event Definitions

Disability Occurs to John Winters

Starts: When John is 53 (2011)	Additional Expenses:
Ends: John's Death (age 90 in 2048)	Indexed at: Inflation (3.73%) beginning Immediately
Include Social Security Disability?: No	

Income Sources Impacted

Jon's Salary

Owner: John Winters	
Annual Amount: \$145,000	Indexed at: Inflation (3.73%) beginning Immediately
Starts: Calendar Year 2011	Ends: John's Retirement (age 65 in 2023)

Social Security Disability Benefits

Source	Starts	Ends	Amount in Start Year	Indexed at
Not included in analysis				

Existing Disability Insurance

Disability Policy from Work

Insured: John Winters	
Policy Type: Group Long Term	Institution:
Benefit: 65% of Salary	Reduce by Social Security?: No
Elimination Period: 90 Days	Benefit Period: Age 65
COLA: None (0.00%)	Benefit is Taxable?: Yes
Annual Premium: \$450	Premium Term: 0 years

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