John and Katie Winters

360 WEALTH MANAGEMENT -LIFE INS. ASSET
December 03, 2012

Sample

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Table of Contents

Table of Contents....2
Disclaimer....3
Asset Allocation Overview....4
Historical Perspective....6
Why Life Insurance Makes Sense....7
Benefits of Whole Life Insurance....8

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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. 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.

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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

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Asset Allocation Overview

"Don't put all your eggs in one basket."

This age old advice is of particular importance when you are investing your hard earned dollars. Instead of investing in just one company, for instance, you diversify by investing in stock from a variety of companies. If one stock underperforms, its impact could be cushioned by the performance of the other companies in your portfolio.

Asset allocation takes diversification to an even higher level. It is the process that begins with you and your advisor assessing your investment goals, risk tolerance and time horizon. This helps to determine the asset mix of your optimal portfolio.

Research has shown that this approach to diversification can help reduce a portfolio's potential for risk and improve its potential for return.

Asset allocation is based upon "Modern Portfolio Theory" (MPT). A landmark study determined that more than 90% of the variation in portfolio return could be attributed to asset allocation.†

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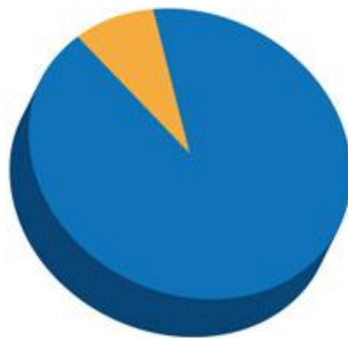

PORTFOLIO PERFORMANCE IS DETERMINED BY:

- Asset Allocation 91.5%
- Market Timing, Security Selection & Other Factors 8.5%

Source: Brinson, Singer, and Beebower, May-June 1991.

A disciplined asset allocation approach requires you to invest for the long term while allocating your assets across the 3 major asset classes.

- **Equities (Stocks)**
- **Fixed Income (Bonds)**
- **Cash (Money Market)**

There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio nor can asset allocation eliminate risk of fluctuating prices or enhance overall returns. These strategies will not ensure profit or guarantee against loss.

† Brinson, Singer, and Beebower, "Determinants of Portfolio Performance II: An Update," Financial Analysis Journal (May-June 1991): 40

Asset Allocation Overview

Within each asset class, there are asset class categories (i.e., large cap stocks, short-term bonds). These investment class categories are used for diversification purposes.

ASSET CLASSES	VOLATILITY RISK	POTENTIAL RETURN
Equities	★★★★	★★★★
Fixed Income	★	★★
Cash	½★	★

1 star = low, 4 stars = high

The impact of consistent returns vs. volatile investment performance can impact long-term portfolio growth.

	POTENTIAL RETURNS		VOLATILE INVESTMENT	
Year	**Return**	**Value**	**Return**	**Value**
1	10%	$110,000	35%	$135,000
2	10%	$121,000	-25%	$101,250
3	10%	$133,100	30%	$131,625
4	10%	$146,410	-20%	$105,300
5	10%	$161,051	30%	$136,890

Average: 10%
5 Year Yield: 10%

Average: 10%
5 Year Yield: 6.84%

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This hypothetical example assumes an initial investment of $100,000 and compares growth of that investment at assumed, hypothetical rates. The example is for illustrative purposes only and does not reflect the performance of any specific investment. All income is assumed reinvested. Please consider the costs, fees, risks of investing, and taxes which will affect the overall returns of your investment. Your results will vary.

Consider Life Insurance as an Asset Class

When there is a need for death benefit protection and, due in part to the guarantees it provides, many advisors advocate using whole life insurance as part of the cash or fixed income component of their clients' asset allocation. Whole life insurance is backed by the claims-paying ability of the issuing insurer, preserves principal through death benefit, and may provide an opportunity for a specified consistent minimum return through dividends (although not guaranteed), and a potential for cash value build up. Whole life insurance provides the added benefit of having no correlation to the market, providing you with a consistent minimum return on an asset in a down market, depending on the type of life insurance contract.

Historical Perspective

Life is full of risks and rewards. When investing, the reward for taking on risk is the potential to make more money. Of course, you can also lose more money. The key is to find a balance between your risk tolerance and the reward potential. Proper asset allocation among different asset classes may help you strike that balance.

Those who are building a retirement portfolio may want to consider allocating across several asset classes.

The historical asset class return chart illustrates the volatility one can expect from investing in many of the traditional asset classes.

Market data utilized to comprise historical asset class returns as of 12/31/2011: Domestic US Stocks (Russell 3000 Total Index), Domestic US Bonds (Barclays Capital U.S. Aggregate Bond Index), Commodities (Reuters-CRB Total Return Index), Real Estate (NAREIT Index) and Cash (Ibbotson 30-day US Treasury Bill Index).

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Those who also have lifetime needs for life insurance death benefit protection may, secondarily, want to consider using whole life insurance for a portion of the cash or fixed income component of their portfolio. Aside from its purpose to provide a death benefit, whole life insurance provides guaranteed cash values and a minimum guaranteed return. Remember that any guarantees are based on the claims-paying ability of the insurance issuer. In addition, participating whole life insurance may provide an opportunity for an even higher return through the crediting of dividends, but which are not guaranteed.

A non-traditional asset class like whole life insurance is not tied to market performance. As a result this uncorrelated relationship can help you to diversify your portfolio while also providing a potentially competitive expected return and death benefit protection.

Hypothetical growth of life insurance cash value

Why Life Insurance Makes Sense

Immediate Liquidity:

For those who have a majority of their assets comprised of real estate, business interests and other illiquid investments, the transfer of wealth can be difficult. Final expenses, estate taxes and other costs may create a need for immediate liquidity.

Whole life insurance can help your estate avoid a forced sale of illiquid assets, by immediately providing a death benefit (cash) when needed the most.

No correlation to market performance:

Portfolios are often constructed to include stocks and bonds that may be volatile and fluctuate over time. Whole life insurance is a fixed asset that does not fluctuate in a down market because its guaranteed cash values have no correlation to market performance, but do depend on the financial strength of the issuing company.

Adding an asset like whole life insurance provides increased diversification to your portfolio.

Income Tax Benefits:

Whole life insurance is a tax-advantaged asset. The cash value of a whole life insurance contract grows tax-deferred, and may be accessed during life tax-free through withdrawals and loans*. Additionally, the death benefit of a whole life insurance policy generally is income tax-free, and, if properly structured, estate tax-free.

Given its tax-advantaged nature, the return on whole life insurance has an inverse correlation to the tax rate structure (i.e., its effective return increases as tax rates increase).

Guaranteed Value:

No one knows what will be happening with the markets next month, next year or ten years from now. A well diversified and risk appropriate portfolio can help you feel confident that your goals will be achieved. The last half of 2008, however, reminds us that no one has a crystal ball when it comes to predicting what our investment values may be.

Whole life insurance, however, can deliver guarantees you can depend upon. 1) Your premium will never go up, 2) guaranteed death benefits whenever the insured passes away, 3) guaranteed cash values that may increase every year.

Fixed Income Like Returns:

The potential for consistent returns generated by a whole life insurance policy make it an attractive alternative to traditional fixed income assets when there is also need for its death benefit protection.

Whole life insurance can also provide for a solid foundation for those seeking to supplement their retirement income. (See (*) footnote below for important additional information.)

Note: Guarantees are based on the financial strength and claims-paying ability of the issuing insurance company.

*Loans accrue interest charges. Distributions from a life insurance policy through withdrawals of certain policy values (up to cost basis) and loans are generally not taxed as income provided certain premium limits are followed which prevent a policy from becoming a modified endowment contract (MEC). Distributions taken during the first fifteen years may be subject to tax. In the case of a MEC, policy loans and/or distributions are taxable to the extent of policy gain and may be subject to an additional 10% penalty tax if received by recipients who are younger than 59 ½. Access to cash values through borrowing or withdrawals will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in an income tax liability if the policy terminates before the death of the insured. If the policy has not performed as expected, and to avoid a policy lapse, distributions may need to be reduced, stopped and/or premium payments may need to be resumed.

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Benefits of Whole Life Insurance

Protection from Creditors
Depending upon the state of residence, up to 100% of both the death benefit and cash value in a whole life insurance policy may be exempt from the claims of creditors.

Tax-deferred growth
Whole life insurance builds cash value, which grows on a tax-deferred basis.

Tax-free death benefit
Whole life insurance may provide an income tax-free death benefit to heirs as beneficiaries.

Estate tax savvy
Whole life insurance policy death benefits, if properly structured, can be paid to policy beneficiaries estate tax-free.

Tax-advantaged access to policy cash values
During the life of an insured, the cash value in a whole life insurance policy can be accessed through tax-free withdrawals (up to basis) and then through tax-free loans. (See "Note" below for further details.)

Loans to Yourself
At any time and for any reason, the cash values in a whole life insurance policy can be accessed on demand via a policy loan. These loans can be paid back at any time.

Disability protection
If a whole life insurance policy has a "Waiver of Premium" feature, which is generally obtained for an additional fee, the policy premiums may be waived in the event the insured becomes disabled.

Guarantees
Whole life insurance has 3 types of guarantees. First, premiums are guaranteed to never increase. Second, cash values are guaranteed to increase every year. Third, death benefit is guaranteed whenever the insured passes away.

Collateral
Whole life insurance can usually be used as collateral to obtain a loan from a bank.

Privacy
Proceeds from whole life insurance can be passed directly to beneficiaries without passing through the will or the probate process, if properly structured.

Note: Any guarantees are based on the financial strength and claims-paying ability of the issuing insurance company. The cost and availability of life insurance depends on such factors as age, current health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insured by having the policy approved by the issuing insurance company. There are also expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications. The policy is subject to fees and charges. Loans accrue interest charges. Distributions from a life insurance policy through withdrawals of certain policy values (up to cost basis) and loans are generally not taxed as income provided certain premium limits are followed which prevent a policy from becoming a modified endowment contract (MEC). Distributions taken during the first fifteen years may be subject to tax. In the case of a MEC, policy loans and/or distributions are taxable to the extent of policy gain and may be subject to an additional 10% penalty tax if the recipient is younger than 59 ½. Access to cash values through borrowing or withdrawals will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in an income tax liability if the policy terminates before the death of the insured. If the policy has not performed as expected and to avoid a policy lapse, distributions may need to be reduced, stopped and/or premium payments may need to be resumed.

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