

Stretch IRA / Roth Conversion Comparison Analysis

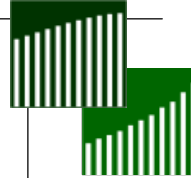
Phase 1

Income to match your lifestyle and preserve your wealth



Phase 2

Continuing income for spousal security and independence



Prepared For : _____

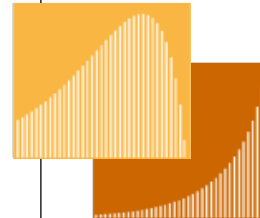
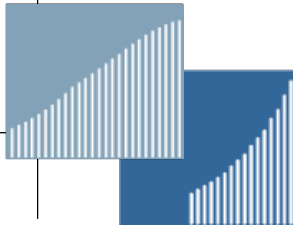
February 10, 2010

Prepared By : _____

Soft Dev
Clarity Software, LLC.

Phase 3

A legacy that passes to the next generation



This information is hypothetical and is provided for informational purposes only. It is not intended to represent any specific return, yield, or investment, nor is it indicative of future results. Information provided by you has not been verified by our firm.

Contents & Disclosure

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Important Disclosure Regarding Illustration of the "Roth Conversion"

The following are illustrations comparing the conversion of a deductible Traditional IRA into a Roth IRA. They provide only broad, general guidelines, that which may be helpful in shaping your thinking about whether to maintain a deductible Traditional IRA or convert all or a portion of a deductible Traditional IRA into a Roth IRA. The usefulness of this report depends upon the accuracy of data furnished by you. No legal or accounting advice is being rendered by this report or through any other oral or written communications. This report provides estimates based on our general understanding of current tax laws. Payment of income taxes due upon conversions to a Roth IRA may not be appropriate for all investors. Since our firm is not a tax or legal advisor please discuss legal and accounting matters directly with your tax and legal counselors in each of those areas and in light of your investment objectives, age, tax bracket, etc. Please contact your financial professional and/or tax advisor for more information on planning for retirement and to find out if a Roth Conversion may be suitable for your specific situation.

It is important to recognize that in computing and illustrating this hypothetical projection of the "Stretch Concept":

- i) This illustration assumes the original owner (and spouse if applicable) will have no need for income from the IRA in excess of the distribution amounts illustrated, before and/or during retirement.
- ii) This illustration assumes that all distributions are taken at year's end (12/31) by the client (and spouse if applicable) and that all beneficiaries take only the minimum distributions required by the IRS.
- iii) All projected figures assume the current tax law and IRA rules remain constant throughout. The impact of future changes in the tax law and IRA rules may have dramatic effects on the IRA balances, distributions and actual income taxes and estate taxes paid.

All rates of return are hypothetical and are not a guarantee of the future performance of any financial product. Income and capital projections assume investment returns net of fees and other expenses and are not product specific. In addition, income and capital projections reflect the impact of estimated federal and state income taxes when applicable. Many, but not all, states follow the federal rules regarding the deductibility of contributions and the taxability of distributions from IRAs. You must consult with your tax advisor regarding the specific rules applicable to your state of residence.

Please note that the results depicted in the illustrations are based on the specific assumptions you have provided. Any variation in the assumptions used, particularly with respect to the applicable tax rates during the accumulation and distribution periods, will cause significant variations in the illustrated results, and could materially impact the value of the illustration for comparative purposes.

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Initial Information & Assumptions

Analysis - Initial Data, Assumptions & Options

Analysis Info

Analysis Date : 03/03/2010
 2010 Conversion Date : 02/10/2010

Client Info

Name : Stretch Smith
 DOB / Age : 02/10/1970 / 40
 Retirement Age : 65
 Illustrate To Age/Yr. : 83 / 2053

Current - Pre-Retirement

@PV of 2010 Conversion & Tax Rate : \$26,807 (28.00%)
 @PV of 2010 (11/12) Conversion Tax & Rates : **\$22,252 (25.00% / 25.00%)**
 Traditional IRA & Roth IRA ROI : 6.00%
 Net Savings ROI : 5.00%

Account Balances (As of 02/10/2010)

Traditional IRA : \$100,000
 Savings : \$22,252

Spouse Info

Name : Susan Smith
 DOB / Age : 02/10/1975 / 35
 Illustrate To Age/Yr. : 83 / 2058

Post Conversion - Retirement / Beneficiary Period

Income Tax Rate : 15.00% / 20.00%
 Traditional & Roth ROI : 5.00% / 6.00%
 Net Savings ROI : 4.00% / 5.00%

Beneficiary Data

Name	DOB / Age	Benefit % / Initial IRA Allocation	Relationship
Cathleen	02/10/1975 / 35	25.00 % / \$25,000	Child
Paul	02/10/1980 / 30	25.00 % / \$25,000	Child
Vince	02/10/1989 / 21	50.00 % / \$50,000	Child

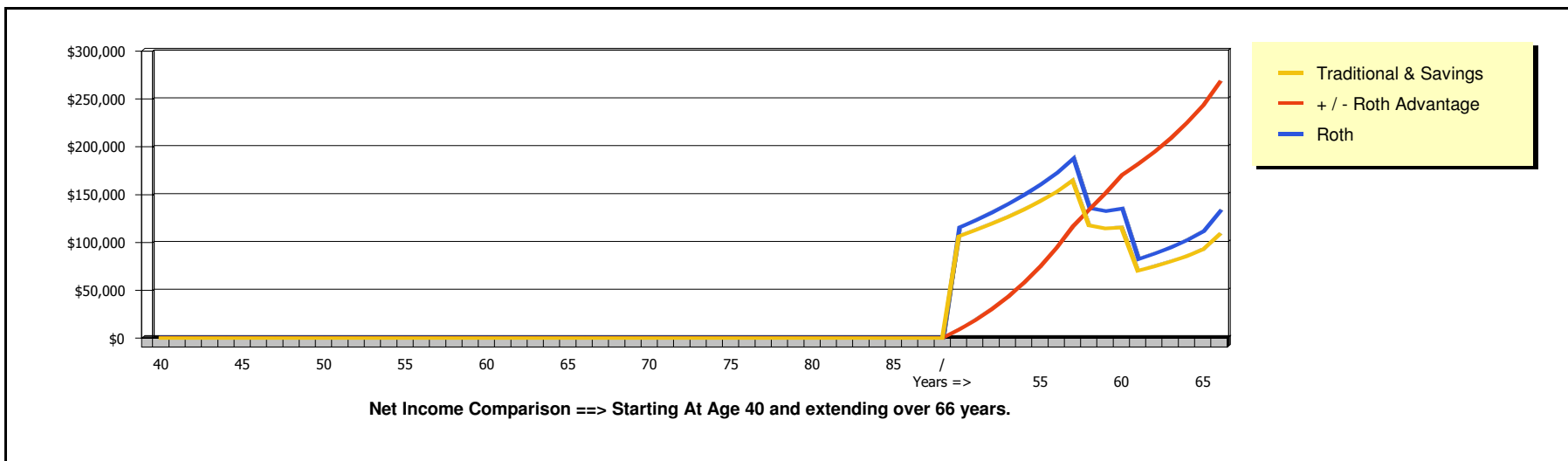
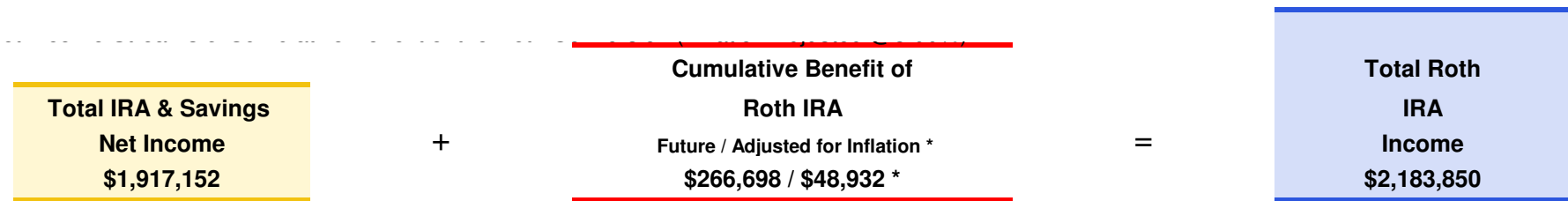
Discussion / Comparison Of Traditional IRA vs Roth Conversion Options

Explanation Of Presentation

Individual Retirement Accounts (IRAs) are designed primarily to provide retirement income benefits to its owner and in the case of a married couple, the owner and their spouse. Given the nature of the IRS distribution rules, the life expectancy tables that are used to meet these rules, and a very moderate IRA account growth rate, the actual retirement income needs (which may be small or none) do little to deplete the IRA account principle, and in the case of a Traditional IRA the additional savings account (Side Fund) where the excess required minimum distributions deposits are reinvested. Consequently, IRA accounts (and savings accounts) are left to heirs with considerable balances remaining. With proper planning and structure, the beneficiary's of the IRA can continue the yearly minimum required distributions based on their life expectancy. The extension of the IRA benefits across to a second generation is generally referred to as a "Stretching the IRA".

Given the Stretch scenario, there may be significant differences between the net benefits of the Traditional IRA & Roth IRA income streams provided to the second generation. The graphs below shows the net income streams and most significantly the inflation adjusted +/- cumulative benefit of the Roth IRA conversion over the continuation of the Traditional IRA. Please note the center values with both the future & inflation adjustment conversion benefit below.

Net Income Comparison - Traditional IRA & Savings vs Roth IRA (Conversion Taxes From Savings)



Stretch Flow Comparative Summary (Taxes From Savings)

Summary of IRA Activity: Stretch Smith & Beneficiaries

Stretch Smith		
	IRA & Savings	Roth IRA
Starting Balances :	\$122,252	\$100,000
Earnings :	\$1,067,178	\$977,807
Distributions :	\$378,990	\$0
Net To Spending :	\$0	\$0
Net To Savings :	\$322,142	\$0
Ending Balances :	\$1,132,582	\$1,077,807

Susan Smith		
	IRA & Savings	Roth IRA
Starting Balances :	\$1,132,582	\$1,077,807
Earnings :	\$273,904	\$297,778
Distributions :	\$157,343	\$0
Net To Spending :	\$0	\$0
Net To Savings :	\$133,741	\$0
Ending Balances :	\$1,382,884	\$1,375,585

Comparative Distribution Totals: Traditional IRA & Savings vs Converted Roth IRA Projected Beneficiary Distributions Starting In 2059

	% Alloc	Distributions Ages / To Year	IRA & Savings	Roth IRA	+/- Cumulative Benefit Of Roth IRA
Cathleen	25.00%	84 -- 92 / 2067	409,296	456,339	47,044
Paul	25.00%	79 -- 89 / 2069	442,518	498,345	55,827
Vince	50.00%	70 -- 86 / 2075	1,065,338	1,229,166	163,828
Totals	100.00%		\$1,917,152	\$2,183,850	\$266,698

Comparative Summary Income Ledger

Net Income Ledger (No Conversion vs Taxes From Savings vs 2010(11/12) Conversion Taxes From Savings)

Age / LX	No Conversion						2010 (11/12) Conversion		
	Traditional IRA			Savings			Roth IRA / Savings Conversion		
	Earnings	RMD	IRA Balance	Earnings	Net Deposit Of IRA RMD	Savings Balance	Earnings	Tax	Balance
02/10/2010			\$100,000			\$22,252			\$100,000
Conversion									\$22,252
40	5,342	0	105,342	991	0	23,243	5,342		105,342
10 RC Tax							991	0	23,243
41	6,321	0	111,663	1,162	0	24,405	6,321		111,663
11 RC Tax							1,162	12,500	11,905
42	6,700	0	118,363	1,220	0	25,625	6,700		118,363
12 RC Tax							595	12,500	0
43-45	22,609	0	140,972	4,039	0	29,664	22,609		140,972
46-50	47,680	0	188,652	8,196	0	37,860	47,680		188,652
51-55	63,807	0	252,459	10,460	0	48,320	63,807		252,459
56-60	85,388	0	337,848	13,350	0	61,670	85,388		337,848
61	20,271	0	358,118	3,083	0	64,753	20,271		358,118
62	21,487	0	379,606	3,238	0	67,991	21,487		379,606
63	22,776	0	402,382	3,400	0	71,390	22,776		402,382
64	24,143	0	426,525	3,570	0	74,960	24,143		426,525
65	21,326	0	447,851	2,998	0	77,958	21,326		447,851
66	22,393	0	470,244	3,118	0	81,077	22,393		470,244
67	23,512	0	493,756	3,243	0	84,320	23,512		493,756
68	24,688	0	518,444	3,373	0	87,692	24,688		518,444
69	25,922	0	544,366	3,508	0	91,200	25,922		544,366
70 / 27.4	27,218	19,867	551,717	3,648	16,887	111,735	27,218		571,584
71 / 26.5	27,586	20,819	558,483	4,469	17,697	133,901	28,579		600,163
72 / 25.6	27,924	21,816	564,591	5,356	18,543	157,801	30,008		630,171

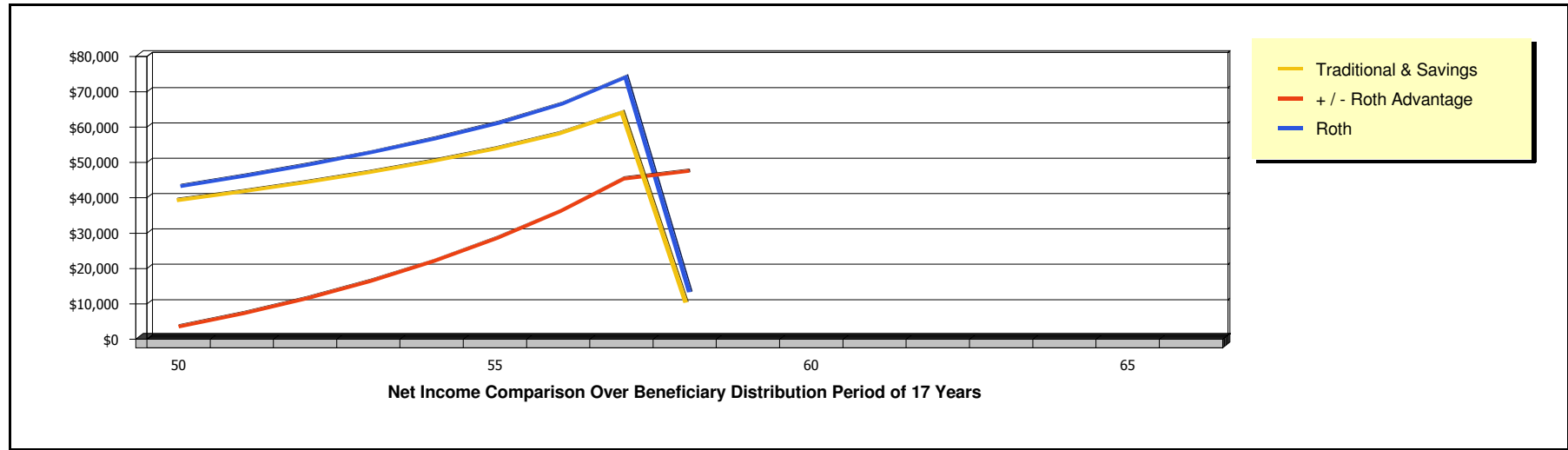
Comparative Summary Income Ledger Continued

Net Income Ledger (No Conversion vs Taxes From Savings vs 2010(11/12) Conversion Taxes From Savings)

Age / LX	No Conversion						2010 (11/12) Conversion		
	Traditional IRA			Savings			Roth IRA / Savings Conversion		
	Earnings	RMD	IRA Balance	Earnings	Net Deposit Of IRA RMD	Savings Balance	Earnings	Tax	Balance
73 / 24.7	28,230	22,858	569,963	6,312	19,429	183,542	31,509		661,680
74 / 23.8	28,498	23,948	574,513	7,342	20,356	211,240	33,084		694,764
75 / 22.9	28,726	25,088	578,151	8,450	21,325	241,014	34,738		729,502
76 / 22.0	28,908	26,280	580,779	9,641	22,338	272,992	36,475		765,977
77 / 21.2	29,039	27,395	582,423	10,920	23,286	307,198	38,299		804,276
78 / 20.3	29,121	28,691	582,853	12,288	24,387	343,873	40,214		844,490
79 / 19.5	29,143	29,890	582,106	13,755	25,406	383,034	42,224		886,714
80 / 18.7	29,105	31,129	580,082	15,321	26,459	424,815	44,336		931,050
81 / 17.9	29,004	32,407	576,680	16,993	27,546	469,353	46,553		977,603
82 / 17.1	28,834	33,724	571,790	18,774	28,665	516,793	48,880		1,026,483
83 / 16.3	28,589	35,079	565,300	20,672	29,817	567,282	51,324		1,077,807
79 / 19.5	28,265	28,990	564,575	22,691	24,641	614,614	53,890		1,131,697
80 / 18.7	28,229	30,191	562,613	24,585	25,663	664,861	56,585		1,188,282
81 / 17.9	28,131	31,431	559,313	26,594	26,716	718,172	59,414		1,247,696
82 / 17.1	27,966	32,708	554,570	28,727	27,802	774,701	62,385		1,310,081
83 / 16.3	27,728	34,023	548,276	30,988	28,919	834,608	65,504		1,375,585
	984,609	536,333		356,473	455,883		1,275,585		

Beneficiary Graph & Ledger of Traditional IRA vs Roth Conversion

Distributions For Cathleen - Starting Age of 84, Allocation of 25.00%

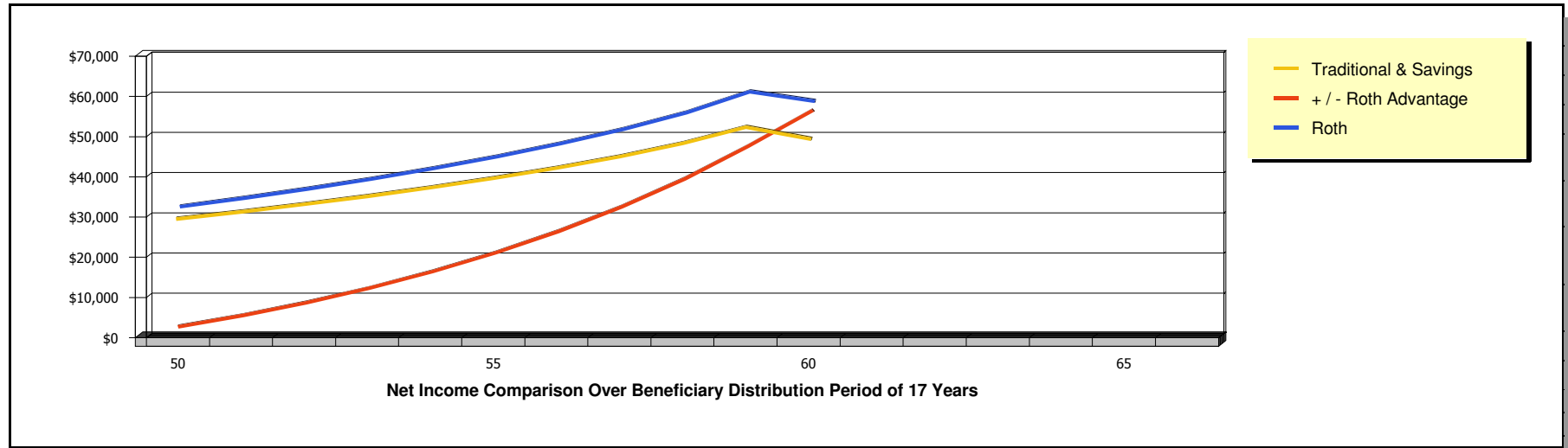


Comparative Detailed Beneficiary Distribution Ledger

Client Age / LX	No Conversion			2010 (11/12)			Roth IRA				
	Traditional IRA		Net IRA Balance	Savings		Roth IRA			+ / - Cumulative Benefit of Roth		
	Earnings	RMD		Earnings	Wthdws	Earnings	RMD	Balance			
12/31/2053			137,069			208,652			343,896		
84 / 8.1	8,224	16,922	13,538	128,371	10,433	25,760	193,325	20,634	42,456	322,074	3,159
85 / 7.1	7,702	18,080	14,464	117,993	9,666	27,229	175,762	19,324	45,362	296,036	6,828
86 / 6.1	7,080	19,343	15,474	105,729	8,788	28,814	155,737	17,762	48,530	265,267	11,071
87 / 5.1	6,344	20,731	16,585	91,342	7,787	30,537	132,987	15,916	52,013	229,170	15,962
88 / 4.1	5,481	22,278	17,823	74,544	6,649	32,436	107,201	13,750	55,895	187,025	21,599
89 / 3.1	4,473	24,046	19,237	54,970	5,360	34,581	77,980	11,222	60,331	137,916	28,112
90 / 2.1	3,298	26,176	20,941	32,092	3,899	37,133	44,746	8,275	65,674	80,517	35,712
91 / 1.1	1,926	29,175	23,340	4,843	2,237	40,678	6,305	4,831	73,197	12,151	44,891
92 / 0.1	291	5,134	4,107	0	315	6,620	0	729	12,880	0	47,044
	44,817	181,886	145,509		55,135	263,787		112,443	456,339		

Beneficiary Graph & Ledger of Traditional IRA vs Roth Conversion

Distributions For Paul - Starting Age of 79, Allocation of 25.00%

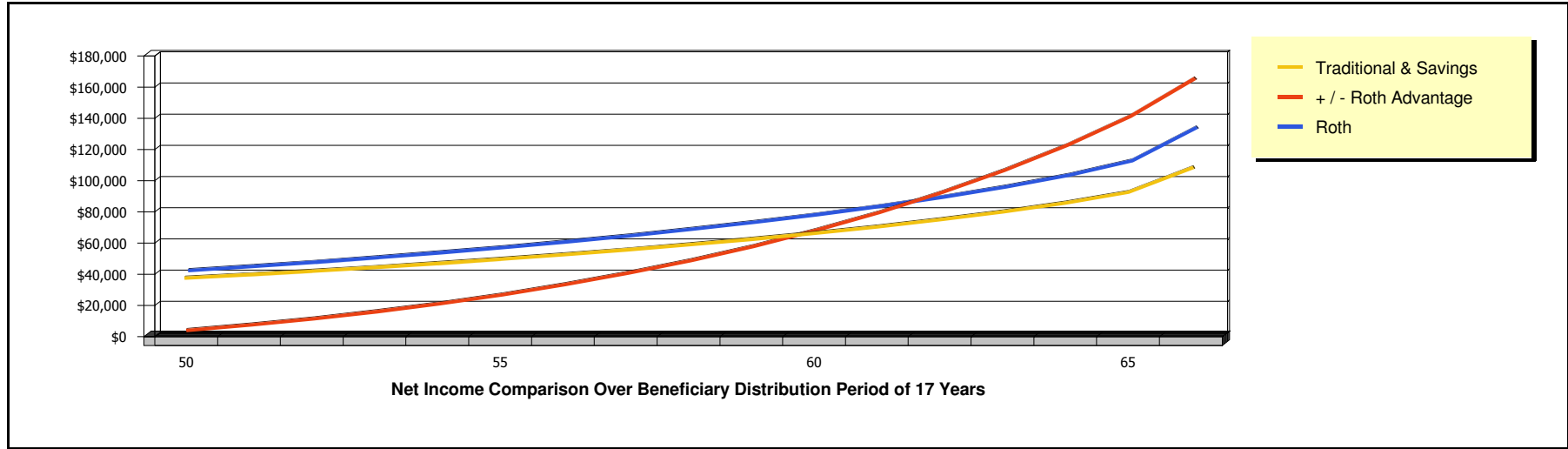


Comparative Detailed Beneficiary Distribution Ledger

Client Age / LX	No Conversion			Savings			2010 (11/12) Roth IRA			Roth IRA	
	Traditional IRA		Net IRA	Savings		Balance	Roth IRA		Balance	+ / - Cumulative Benefit of Roth	
	Earnings	RMD	Income	Earnings	Wthdws	Balance	Earnings	RMD	Balance		
12/31/2053			137,069			208,652			343,896		
79 / 10.8	8,224	12,692	10,153	132,601	10,433	19,320	199,765	20,634	31,842	332,688	2,369
80 / 9.8	7,956	13,531	10,825	127,027	9,988	20,384	189,369	19,961	33,948	318,701	5,108
81 / 8.8	7,622	14,435	11,548	120,214	9,468	21,519	177,318	19,122	36,216	301,607	8,257
82 / 7.8	7,213	15,412	12,330	112,014	8,866	22,733	163,451	18,096	38,668	281,036	11,862
83 / 6.8	6,721	16,473	13,178	102,263	8,173	24,037	147,587	16,862	41,329	256,569	15,976
84 / 5.8	6,136	17,631	14,105	90,767	7,379	25,446	129,520	15,394	44,236	227,728	20,661
85 / 4.8	5,446	18,910	15,128	77,303	6,476	26,983	109,013	13,664	47,443	193,948	25,993
86 / 3.8	4,638	20,343	16,274	61,598	5,451	28,688	85,776	11,637	51,039	154,546	32,070
87 / 2.8	3,696	21,999	17,600	43,295	4,289	30,634	59,430	9,273	55,195	108,624	39,031
88 / 1.8	2,598	24,053	19,242	21,840	2,972	33,017	29,385	6,517	60,346	54,795	47,119
89 / 0.8	1,310	23,150	18,520	0	1,469	30,854	0	3,288	58,082	0	55,827
	61,559	198,628	158,903		74,963	283,615		154,448	498,345		

Beneficiary Graph & Ledger of Traditional IRA vs Roth Conversion

Distributions For Vince - Starting Age of 70, Allocation of 50.00%



Comparative Detailed Beneficiary Distribution Ledger

Client Age / LX	No Conversion			2010 (11/12)			Roth IRA				
	Traditional IRA		Net Income	Savings		Roth IRA			+ / - Cumulative Benefit of Roth		
	Earnings	RMD		Earnings	Wthdws	Earnings	RMD	Balance			
12/31/2053			274,138					687,792			
70 / 17.0	16,448	16,126	12,901	274,460	20,865	24,547	413,622	41,268	40,458	688,602	3,010
71 / 16.0	16,468	17,154	13,723	273,774	20,681	25,851	408,452	41,316	43,038	686,880	6,474
72 / 15.0	16,426	18,252	14,601	271,949	20,423	27,230	401,644	41,213	45,792	682,301	10,434
73 / 14.0	16,317	19,425	15,540	268,841	20,082	28,689	393,038	40,938	48,736	674,503	14,941
74 To 83	134,553	281,796	225,437	88,361	157,226	390,857	114,241	337,584	707,006	221,692	105,654
84 / 3.0	7,296	40,533	32,426	88,361	7,970	53,136	114,241	18,305	101,694	221,692	121,786
85 / 2.0	5,302	44,181	35,344	49,482	5,712	57,121	62,833	13,302	110,846	124,147	140,167
86 / 1.0	2,969	52,451	41,961	0	3,142	65,974	0	7,449	131,596	0	163,828
	215,779	489,916	391,933		256,101	673,405		376,639	1,229,166		