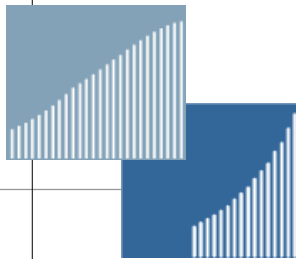


## Stretch IRA Analysis

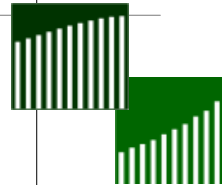
### Phase 1

Income to match your lifestyle  
and preserve your wealth



### Phase 2

Continuing income for  
spousal security and  
independence

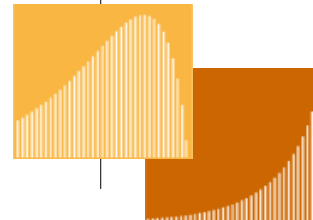
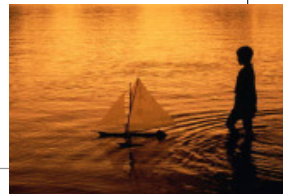


### **Prepared For:**

February 10, 2010

### **Prepared By:**

Financial Consultant  
Clarity Software, LLC.



### Phase 3

A legacy that passes to  
the next generation

# Contents & Disclosures

## Table Of Contents

### This illustration must contain the following:

Contents & Disclosure	2
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Stretch Flow Summary	5
Detailed Client & Spouse Ledger	6-7
Beneficiary Distribution Ledgers and Graphs	8-10
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## Important Disclosure Regarding Illustration of the "Stretch Concept"

This presentation illustrates the "Stretch Concept" applied to IRA accounts. It is an illustration that contains very general computations concerning the current value of retirement assets and projections of hypothetical earnings and distributions in the future. These computations are based upon assumptions concerning the value of assets today, the rate at which assets will appreciate, life expectancies, and the rates for income and estate taxation. These assumptions are only a "best guess" and must be carefully reviewed to determine if they are reasonable. The actual values, life expectancies, rates of growth and tax rates may be significantly different from those illustrated. The actual taxes due may be significantly greater or smaller than those illustrated.

### 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 end (12/31) by the client (and spouse if applicable) and that all beneficiaries take only the minimum distributions allowed by the IRS and at the last possible day without penalty.
- 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.

This report demonstrates a planning strategy for retirement assets that are potentially subject to income and estate taxes. There are a number of techniques, which are beyond the scope of this report. One or more of these techniques if appropriate, and if used in conjunction with the techniques explored herein, might reduce taxes below those illustrated by this program.

The software used to produce this report has been designed to assist the financial services professional in educating clients on important decisions that may affect their retirement assets. The role of the financial services professional is to help the client meet current and future financial needs. In order to determine the amount of these needs, the financial services professional must discuss with the client certain legal and tax planning concepts. Estate planning for retirement assets involves an in-depth analysis of financial and legal issues, which should be coordinated with the client's tax advisors. By using the software that produces this report, financial service professionals can illustrate various planning scenarios to assist the client and their tax advisors in establishing the most appropriate retirement distribution plan. Since this type of planning involves the application of technical tax laws to a client's unique situation, the client's tax advisors should be consulted in determining the suitability of any particular planning technique. This type of planning may involve the preparation of legal documents that only an attorney can implement.

# Initial Information

## Initial Data, Assumptions & Options

### Illustration Information

Description : New Case Analysis  
Date : 02/10/2010

### Preparation Info

Prepared By : Financial Consultant

### Client Details

Client Name : Stretch Smith  
DOB/Age : 02/10/1960 / 50  
Illustrate To Age/Yr. : 84 / 2044

### Spouse Details

Spouse Name : Susan Smith  
DOB/Age : 02/10/1965 / 45  
Illustrate To Age/Yr. : 83 / 2048

### Account Info (Balance(s) as of 12/31/2009), Other Values - First Year

IRA Name : WF IRA  
Balance : \$100,000  
Assumed Interest Rate : 6.00%  
Deposits : \$0  
First Year Distribution : \$0

### RMD Methods - Phase 1: Client Distributions

Uniform Lifetime Table Based On Client's Age

### RMD Methods - Phase 2: Spouse Distributions

Uniform Lifetime Table Based On Spouse's Age

### RMD Methods - Inherited IRA Phase: Beneficiary Distributions

Term Certain Method Using Single Life Table Based On Non-Spouse Beneficiary's Age In The Year Following Inheritance

Beneficiary Data					
Relationship	Name	Date Of Birth	Age	Benefit %	
Child	Cathleen	02/10/1975	35	25.00%	
Child	Paul	02/10/1980	30	25.00%	
Child	Vince	02/10/1989	21	50.00%	

# Stretch Impact

## What is a Stretch IRA?

An Individual Retirement Account (IRA) is designed to provide retirement income benefits to its owner and in the case of a married couple, the owner and their spouse. The Internal Revenue Service (IRS) has developed a set of required distribution rules that govern the minimum amount that must be distributed from an IRA during the retirement years. Given the nature of the rules, the life expectancy tables that are used to meet these rules, and a very moderate IRA account growth rate, the yearly minimum required distribution does little to deplete the IRA account principle. Consequently, IRA 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".

In planning to "Stretch an IRA", one must understand that distributions taken to meet retirement needs that exceed the required minimum distribution will significantly reduce the ability to "Stretch an IRA".

Note: Please read 'Important Disclosure Regarding Illustration of the 'Stretch Concept'' on the Contents and Disclosures Page (Pg 2).

## Impact of an Immediate Distribution vs Stretch IRA

**Without  
Stretch  
IRA**  
**\$303,983 \***

### Immediate Distribution by Beneficiaries

**Benefits of Potential Tax Deferred Growth Lost**  
**\* Assumes IRA liquidated and distributed on death of owner or spouse (if applicable).**

**With  
Stretch  
IRA**  
**\$627,485**

### Stretch IRA Illustration

**Benefits of Potential Tax Deferred Growth Continued**  
**Income Taxes On Distributions Only**  
**Lifetime Income Provided To Heirs**

All charts and ledgers are hypothetical and for illustrative purposes only. They are not intended to reflect the performance of any specific investment vehicle.

# Stretch Flow Summary

## Summary of IRA Activity: Stretch Smith, Susan, & Beneficiaries

**Stretch Smith**  
**Starting Balance (12/31/2009) - \$100,000**  


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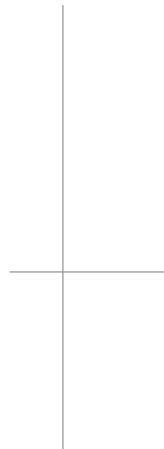
**Projected IRA Distributions**  
**Over The Years 2010 to 2044 - \$233,440**



**Susan**  
**Starting Balance (12/31/2044) - \$313,020**  


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**Projected IRA Distributions**  
**Over The Years 2045 to 2048 - \$71,163**



Beneficiaries Inherit IRA Balance of \$303,983				
Projected Inherited IRA Distributions Starting In Year - 2049				
	% Share	Starting Balance	Distributions Ages / To Year	Total IRA Distributions
Cathleen	25.00	75,996	88 -- 2063	123,008
Paul	25.00	75,996	86 -- 2066	139,734
Vince	50.00	151,992	85 -- 2074	364,742
<b>Totals</b>	<b>100.00</b>	<b>\$303,983</b>		<b>\$627,485</b>

## Total Projected Stretch IRA Distributions - \$932,088

The illustration above is a summary of a hypothetical "Stretched IRA" illustrating the IRA's gross (before tax) distributions to the client, spouse (if applicable) and beneficiaries. The illustration assumes that a separate account for each non-spouse beneficiary is established and that a distribution pattern of required minimum distributions only is followed by each beneficiary. The impact of distributions in excess of RMD, inflation, income taxes and estate taxes are not shown in this illustration. If included the results could be significantly different. It is important to consult your tax and legal advisors to determine the impact of these factors and all others in making financial, retirement and estate planning decisions.

All charts and ledgers are hypothetical and for illustrative purposes only. They are not intended to reflect the performance of any specific investment vehicle.

# Detailed Client & Spouse IRA Ledger

## IRA Activity For Stretch Smith & Susan

Age		Account Activity				Starting Balance (12/31/2009):	Ending IRA Balance
Stretch	Susan	Interest Earned	Life Expectancy	Contributions	Distribution / RMD		
						100,000	
50	45	6,000					106,000
51	46	6,360					112,360
52	47	6,742					119,102
53	48	7,146					126,248
54	49	7,575					133,823
55	50	8,029					141,852
56	51	8,511					150,363
57	52	9,022					159,385
58	53	9,563					168,948
59	54	10,137					179,085
60	55	10,745					189,830
61	56	11,390					201,220
62	57	12,073					213,293
63	58	12,798					226,090
64	59	13,565					239,656
65	60	11,983					251,639
66	61	12,582					264,221
67	62	13,211					277,432
68	63	13,872					291,303
69	64	14,565					305,868
70	65	15,293	27.4		11,163		309,999
71	66	15,500	26.5		11,698		313,801
72	67	15,690	25.6		12,258		317,233
73	68	15,862	24.7		12,843		320,251
74	69	16,013	23.8		13,456		322,808
75	70	16,140	22.9		14,096		324,852
76	71	16,243	22.0		14,766		326,328
77	72	16,316	21.2		15,393		327,252
78	73	16,363	20.3		16,121		327,493

All charts and ledgers are hypothetical and for illustrative purposes only. They are not intended to reflect the performance of any specific investment vehicle.

# Detailed Client & Spouse IRA Ledger Continued

## IRA Activity For Stretch Smith & Susan

Stretch	Age		Account Activity			Distribution / RMD	Ending IRA Balance
	Stretch	Susan	Interest Earned	Life Expectancy	Contributions		
79	74		16,375	19.5		16,795	327,074
80	75		16,354	18.7		17,491	325,937
81	76		16,297	17.9		18,209	324,025
82	77		16,201	17.1		18,949	321,277
83	78		16,064	16.3		19,710	317,631
<b>84</b>	79		15,882	15.5		20,492	313,020
	80		15,651	18.7		16,739	311,932
	81		15,597	17.9		17,426	310,102
	82		15,505	17.1		18,135	307,473
	<b>83</b>		15,374	16.3		18,863	303,983
			<b>\$508,586</b>		<b>\$0</b>	<b>\$304,603</b>	

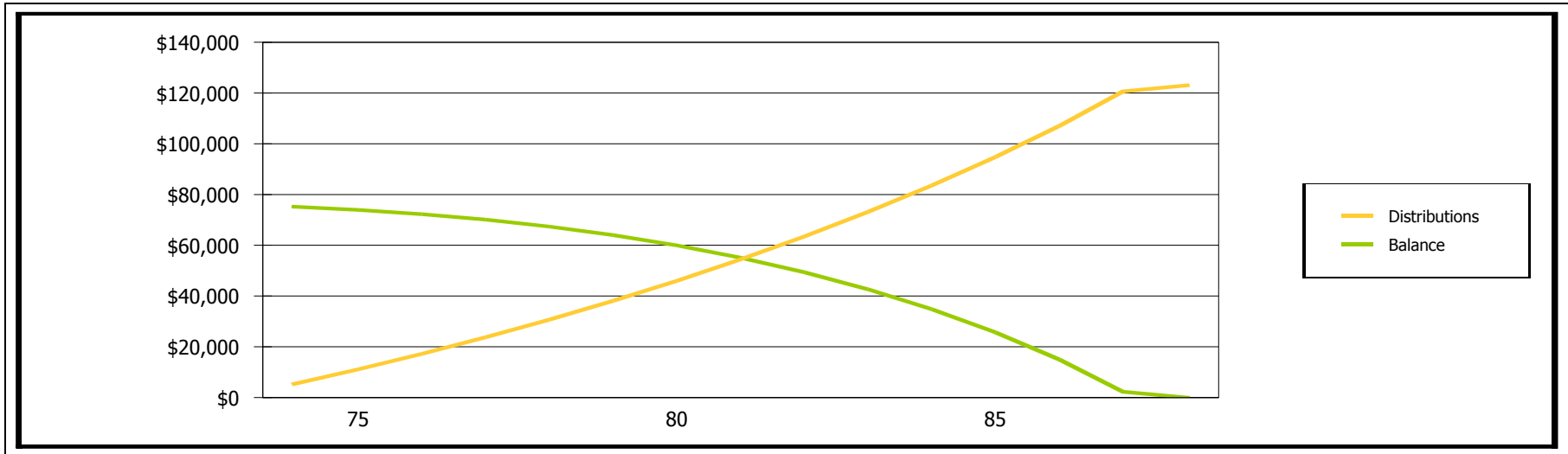
All charts and ledgers are hypothetical and for illustrative purposes only. They are not intended to reflect the performance of any specific investment vehicle.

# Beneficiary Distribution Detail Ledger

## Distributions For Cathleen - Age 74, Allocation of 25.00%

Age	Interest Earned	Account Activity		Distribution (MRD-*)	Ending IRA Balance
			Lx		
74	4,560		14.1	5,389.77	75,166
75	4,510		13.1	5,737.84	73,938
76	4,436		12.1	6,110.56	72,264
77	4,336		11.1	6,510.23	70,089
78	4,205		10.1	6,939.52	67,355
79	4,041		9.1	7,401.64	63,995
80	3,840		8.1	7,900.57	59,934
81	3,596		7.1	8,441.37	55,088
82	3,305		6.1	9,030.88	49,363
83	2,962		5.1	9,678.98	42,646
84	2,559		4.1	10,401.36	34,803
85	2,088		3.1	11,226.76	25,664
86	1,540		2.1	12,221.13	14,983
87	899		1.1	13,621.00	2,261
88	136		0.1	2,396.75	0
	<b>\$47,013</b>			<b>\$123,008</b>	

## Cumulative IRA Distributions & Account Balances



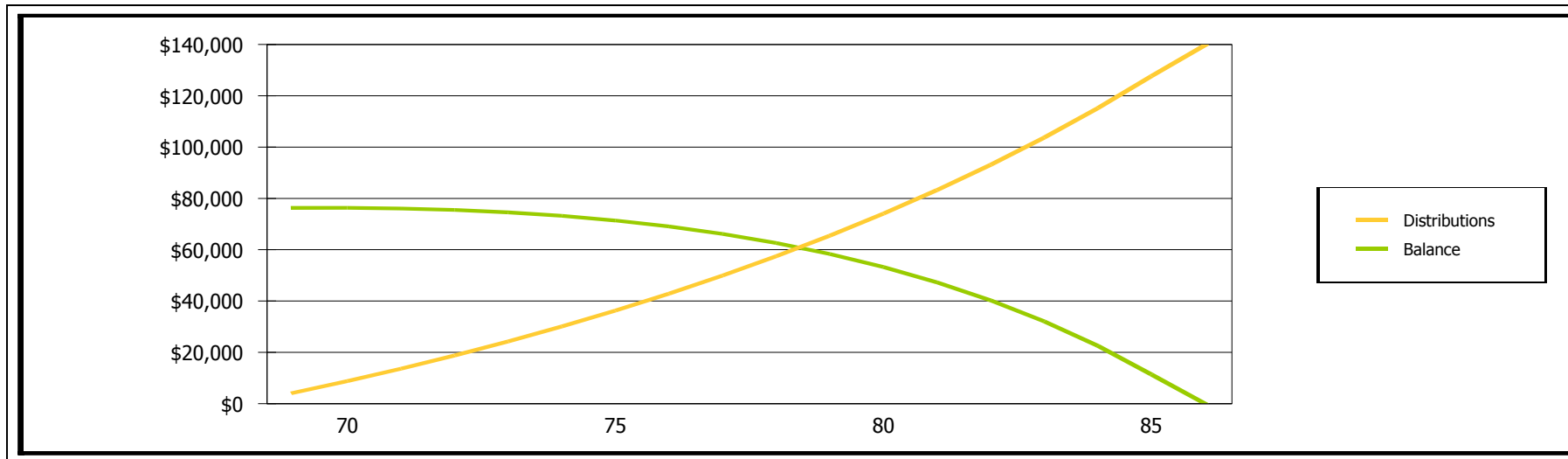
All charts and ledgers are hypothetical and for illustrative purposes only. They are not intended to reflect the performance of any specific investment vehicle.

# Beneficiary Distribution Detail Ledger

## Distributions For Paul - Age 69, Allocation of 25.00%

Age	Interest Earned	Account Activity		Distribution (MRD-*)	Ending IRA Balance
		Lx			
69	4,560	17.8		4,269.42	76,286
70	4,577	16.8		4,540.84	76,322
71	4,579	15.8		4,830.53	76,071
72	4,564	14.8		5,139.95	75,496
73	4,530	13.8		5,470.69	74,555
74	4,473	12.8		5,824.58	73,203
75	4,392	11.8		6,203.67	71,392
76	4,284	10.8		6,610.35	69,065
77	4,144	9.8		7,047.45	66,161
78	3,970	8.8		7,518.34	62,613
79	3,757	7.8		8,027.28	58,342
80	3,501	6.8		8,579.74	53,263
81	3,196	5.8		9,183.28	47,276
82	2,837	4.8		9,849.07	40,263
83	2,416	3.8		10,595.53	32,083
84	1,925	2.8		11,458.31	22,550
85	1,353	1.8		12,527.75	11,375
86	683	0.8		12,057.71	0
	<b>\$63,739</b>			<b>\$139,734</b>	

## Cumulative IRA Distributions & Account Balances



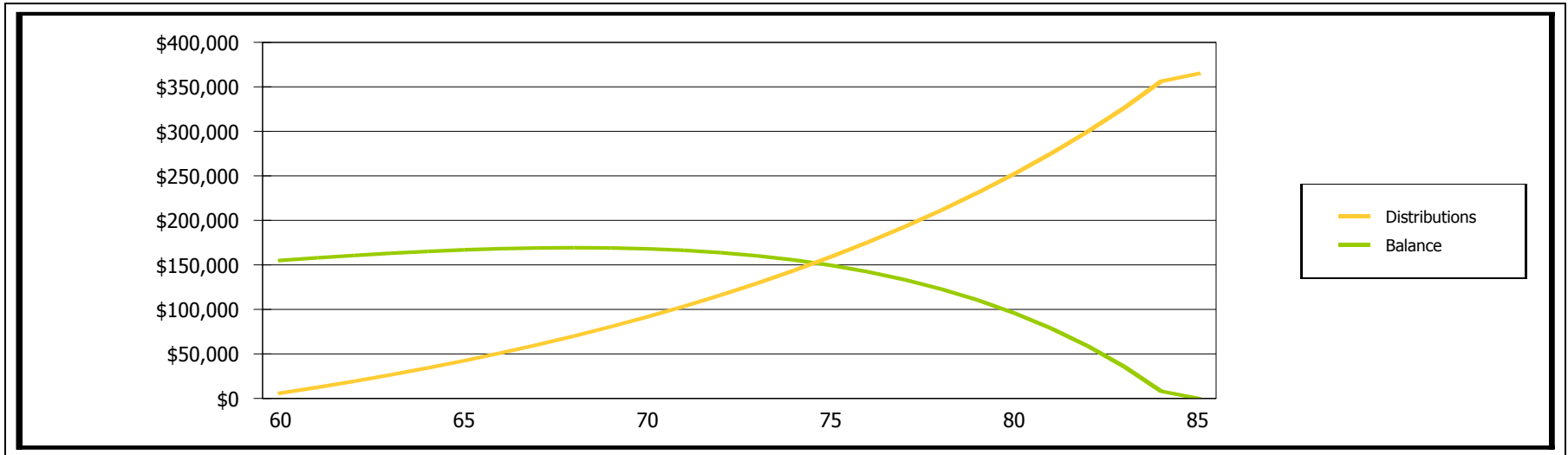
All charts and ledgers are hypothetical and for illustrative purposes only. They are not intended to reflect the performance of any specific investment vehicle.

# Beneficiary Distribution Detail Ledger

## Distributions For Vince - Age 60, Allocation of 50.00%

Age	Account Activity			Ending IRA Balance	Age	Account Activity			Ending IRA Balance
	Interest Earned	Lx	Distribution (MRD-*)			Interest Earned	Lx	Distribution (MRD-*)	
60	9,119	25.2	6,031	155,080	80	6,627	5.2	21,240	95,836
61	9,305	24.2	6,408	157,976	81	5,750	4.2	22,818	78,768
62	9,479	23.2	6,809	160,645	82	4,726	3.2	24,615	58,879
63	9,639	22.2	7,236	163,048	83	3,533	2.2	26,763	35,649
64	9,783	21.2	7,691	165,140	84	2,139	1.2	29,707	8,080
65	9,908	20.2	8,175	166,873	85	485	0.2	8,565	0
66	10,012	19.2	8,691	168,194					
67	10,092	18.2	9,241	169,044		<b>\$212,750</b>		<b>\$364,742</b>	
68	10,143	17.2	9,828	169,359					
69	10,162	16.2	10,454	169,066					
70	10,144	15.2	11,123	168,087					
71	10,085	14.2	11,837	166,335					
72	9,980	13.2	12,601	163,714					
73	9,823	12.2	13,419	160,118					
74	9,607	11.2	14,296	155,429					
75	9,326	10.2	15,238	149,516					
76	8,971	9.2	16,252	142,236					
77	8,534	8.2	17,346	133,424					
78	8,005	7.2	18,531	122,898					
79	7,374	6.2	19,822	110,450					

## Cumulative IRA Distributions & Account Balances



All charts and ledgers are hypothetical and for illustrative purposes only. They are not intended to reflect the performance of any specific investment vehicle.

# Appendix

## Calculation Methods, Rules, Assumptions, Terms & Definitions

### Summary Of Illustration Calculation Methods, Rules, & Assumptions

- This is a hypothetical illustration.
- All internal calculations are performed using real number variables significant to four decimal places and are based on assumptions regarding initial account balances; client, spouse and other beneficiary info; projected earnings on the account; estimated tax rates; and current applicable IRS rules and regulations.
- All deposits and withdrawals are assumed to be made on the last day (12/31) of each year.
- All internal numbers are rounded to an integer (whole number) for presentation purposes.
- This is an illustration of a Traditional Individual Retirement Account (IRA).
- All Required Minimum Distributions (RMD) calculations are based on the temporary and final regulations and life expectancy tables published in 2002 by the IRS.
- All Estate Taxes and IRD (Income with Respect To Decedent) Taxes are only estimates calculated using an estimated applicable estate tax rate (ex. 40%) and estimated IRD tax rate. There are numerous factors including the value of the applicable Unified Credits and other assets not included in this hypothetical illustration that could have a significant impact on the illustrated values in this hypothetical projection as well as the actual tax amounts incurred.
- All presentations show the future value of the dollars. This illustration does not demonstrate the impact of inflation on any value shown.

### General Rule - Life Expectancy Table (formerly known as the MDIB Table)

This is the table used during the account owner's life, except in cases where the owner is more than 10 years older than their spouse beneficiary. The general table provides a life expectancy factor for any given owner's age. These life expectancy factors are actually joint life expectancy factors derived from the joint life table, using the ages of two lives, the client's age and a second age 10 years younger than the client's.

### Recalculate Single Life Expectancy

This option is used when the spouse has inherited an IRA, after the death of the owner, and while the spouse is still alive. This assumes that the spouse leaves the owner's account intact, i.e., the spouse does not take ownership of the account and retitle account in own name.

### Single Term Certain Life Expectancy

This option is used after death of the spouse, in case of inherited IRA (i.e., not retitled), and after death of the owner when beneficiary is not the spouse. Life expectancy is read from Table 1 only in the first year of distribution to the non-owner. Years of life expectancy are then decreased by one in each subsequent year.

# Appendix Continued

## Calculation Methods, Rules, Assumptions, Terms & Definitions Continued

### **Joint Recalculate Life Expectancy for Both Client and Beneficiary**

This option is used when the spouse is the named beneficiary, and the spouse is at least 10 years younger than the owner. Each year after the required beginning date, life expectancy will be read from Table 2 using the owner's and spouse's ages.

### **Qualified Plans**

For this analysis, the term "qualified plans" includes Internal Revenue Code Section 401(a) plans (defined benefit, profit sharing, money purchase, etc.), 401(k) plans, 403(b) plans (TSAs), 408(a) plans (IRAs), 408(k) plans (SEP and SARSEP) and 408(p) plans (SIMPLE).