

Stretch IRA Analysis

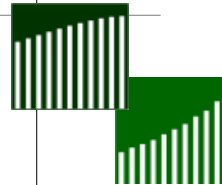
Phase 1

Income to match your lifestyle
and preserve your wealth



Phase 2

Continuing income for
spousal security and
independence

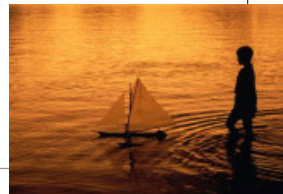


Prepared For:

January 05, 2012

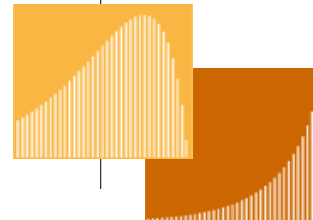
Prepared By:

Financial Analyst
First Financial of Sewickley



Phase 3

A legacy that passes to
the next generation



Contents & Disclosures

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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 : Sample Analysis
Date : 01/05/2012

Preparation Info

Prepared By : Financial Analyst

Client Details

Client Name : Steve Sample
DOB/Age : 01/05/1947 / 65
Illustrate To Age/Yr. : 86 / 2033

Spouse Details

Spouse Name : Karen Sample
DOB/Age : 01/05/1952 / 60
Illustrate To Age/Yr. : 85 / 2037

Account Info (Balance(s) as of 12/31/2011), Other Values - First Year

IRA Name : Steve's IRA
Balance : \$500,000
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	Chris	06/06/1982	30	100.00%

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**

\$1,212,480 *

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**

\$4,764,198

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: Steve Sample, Karen, & Beneficiaries

<p>Steve Sample Starting Balance (12/31/2011) - \$500,000</p> <hr/> <p>Projected IRA Distributions Over The Years 2012 to 2033 - \$761,789</p>
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<p>Karen Starting Balance (12/31/2033) - \$1,066,481</p> <hr/> <p>Projected IRA Distributions Over The Years 2034 to 2037 - \$283,048</p>

Beneficiaries Inherit IRA Balance of \$1,212,480				
Projected Inherited IRA Distributions Starting In Year - 2038				
	% Share	Starting Balance	Distributions Ages / To Year	Total IRA Distributions
Chris	100.00	1,212,480	84 -- 2066	4,764,198
Totals	100.00	\$1,212,480		\$4,764,198

Total Projected Stretch IRA Distributions - \$5,809,035

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.

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Detailed Client & Spouse IRA Ledger

IRA Activity For Steve Sample & Karen

Age		Account Activity				Starting Balance (12/31/2011):	Ending IRA Balance
Steve	Karen	Interest Earned	Life Expectancy	Contributions	Distribution / RMD		
						500,000	
65	60	30,000					530,000
66	61	32,436					562,436
67	62	35,096					597,532
68	63	38,063					635,595
69	64	41,250					676,845
70	65	44,807	27.4		24,702		696,950
71	66	47,114	26.5		26,300		717,763
72	67	49,454	25.6		28,038		739,180
73	68	51,964	24.7		29,926		761,218
74	69	54,579	23.8		31,984		783,813
75	70	57,297	22.9		34,228		806,882
76	71	60,193	22.0		36,676		830,399
77	72	63,193	21.2		39,170		854,423
78	73	66,303	20.3		42,090		878,636
79	74	69,588	19.5		45,058		903,166
80	75	72,976	18.7		48,298		927,844
81	76	76,454	17.9		51,835		952,464
82	77	80,007	17.1		55,700		976,771
83	78	83,709	16.3		59,925		1,000,556
84	79	87,449	15.5		64,552		1,023,452
85	80	91,292	14.8		69,152		1,045,592
86	81	95,044	14.1		74,155		1,066,481
	82	98,969	17.1		62,367		1,103,083
	83	104,352	16.3		67,674		1,139,761
	84	109,987	15.5		73,533		1,176,215
	85	115,740	14.8		79,474		1,212,480
		\$1,757,317		\$0	\$1,044,837		

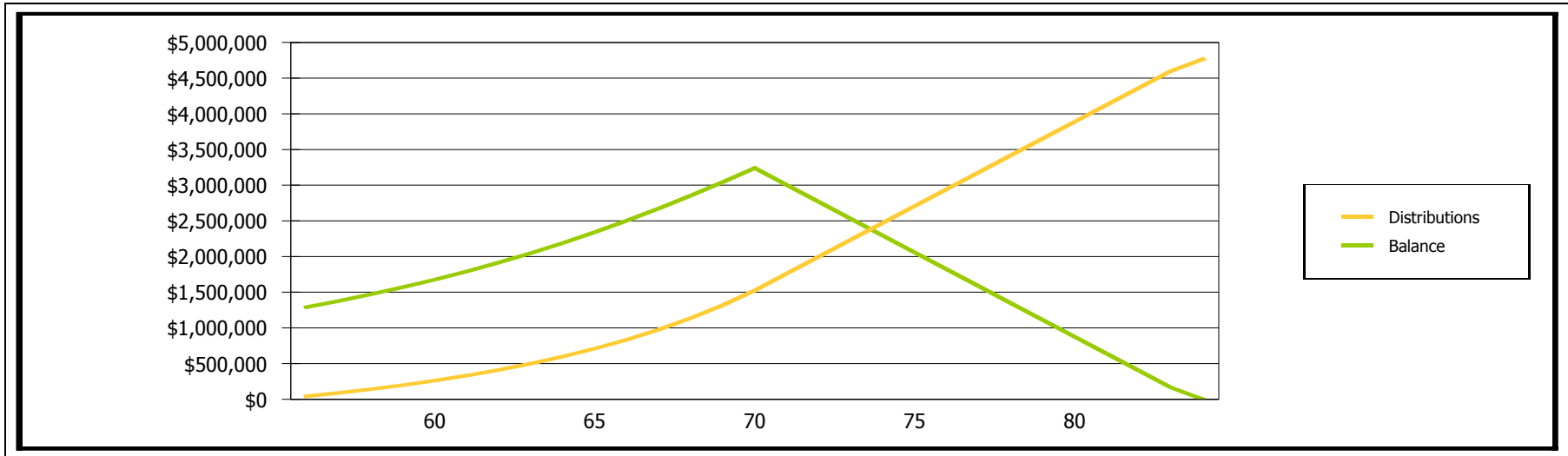
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Beneficiary Distribution Detail Ledger

Distributions For Chris - Age 56, Allocation of 100.00%

Age	Account Activity			Ending IRA Balance	Age	Account Activity			Ending IRA Balance
	Interest Earned	Lx	Distribution (MRD-*)			Interest Earned	Lx	Distribution (MRD-*)	
56	121,733	28.7	42,247	1,291,967	76	0	8.7	236,450	1,820,667
57	132,297	27.7	46,641	1,377,623	77	0	7.7	236,450	1,584,217
58	143,962	26.7	51,596	1,469,988	78	0	6.7	236,450	1,347,767
59	156,701	25.7	57,198	1,569,490	79	0	5.7	236,450	1,111,316
60	170,604	24.7	63,542	1,676,552	80	0	4.7	236,450	874,866
61	185,930	23.7	70,741	1,791,741	81	0	3.7	236,450	638,416
62	202,646	22.7	78,931	1,915,456	82	0	2.7	236,450	401,966
63	220,852	21.7	88,270	2,048,038	83	0	1.7	236,450	165,515
64	240,849	20.7	98,939	2,189,948	84	0	0.7	165,515	0
65	262,794	19.7	111,165	2,341,577		\$3,551,718		\$4,764,198	
66	286,609	18.7	125,218	2,502,968					
67	312,370	17.7	141,411	2,673,928					
68	340,391	16.7	160,115	2,854,203					
69	370,761	15.7	181,796	3,043,168					
70	403,220	14.7	207,018	3,239,369					
71	0	13.7	236,450	3,002,919					
72	0	12.7	236,450	2,766,469					
73	0	11.7	236,450	2,530,018					
74	0	10.7	236,450	2,293,568					
75	0	9.7	236,450	2,057,118					

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).