



Mapping Your Financial Future

Peter and Susan Franklin

**143 South Reed St.
Middletown, MO 64318**

Presented by:
Mr. Ted J. Bundy, PhD

4/25/2003

Introduction

When planning for your future financial security, it is important to set goals, initiate action, and periodically review your progress.

Remember...a sound financial plan can be more important than a lifetime of work!

This analysis uses the information you have shared about your current financial situation and your goals for the future.

The following pages analyze your needs:

- *In the event of death*
- *For college funding*
- *For your retirement years*
- *In the event of a disability*
- *For long-term care*

A sound financial plan...



...can be more important than a lifetime of work.

Important Note...

This financial analysis compares your investments and savings strategy with your financial priorities and concerns. It provides only a broad, general guideline, which may be helpful in shaping your financial thinking about investment objectives and risk tolerance. The reports and graphs are dependent upon the quality and accuracy of data furnished by you.

This analysis is for estimating purposes only and must be reviewed periodically. Past performance is not indicative of future results. Your attorney and accountant should be consulted regarding legal and tax implications. A current prospectus must be read carefully when considering any investment in securities.

No liability is assumed resulting from the use of the information contained in this analysis. Responsibility for financial decisions is assumed by you. It is important to revise your plans periodically in light of your experiences and changing goals.

Personal Information Summary

The following information was used in the analysis.

Personal Data

Name	Date of Birth	Contributing to Social Security	Annual Employment Income
Peter A. Franklin	5/6/1965	Yes	\$60,000
Susan L. Franklin	6/8/1965	Yes	\$40,000

Married: Yes

Address

143 South Reed St.
Middletown, MO 64318

Phone: (818) 555-4875

E-Mail PFranklin143@aol.com

Children

Name	Date of Birth
Ron	7/12/1990
Jennifer	3/21/1992
Daniel	8/12/1995

Assets

Owner	Asset Name	Amount	Monthly Savings	Rate of Return
Both	Fidelity Mutual Fund	\$8,700	\$0	9.00%
Both	Putnam Fund	\$6,200	\$0	8.00%
Both	CD	\$1,500	\$0	3.00%

Total..... \$16,400

Monthly Savings..... \$0

Average Rate of Return..... 8.07%

Retirement Funds

Owner	Asset Name	Amount	Monthly Savings	Company Match	Rate of Return
Peter	401(k)	\$42,000	\$300	\$150	8.50%
Susan	401(k)	\$16,200	\$150	\$75	8.50%

Total..... \$58,200

Monthly Savings..... \$450

Average Rate of Return..... 8.50%

Liabilities

Name	Amount	Monthly Payment	Final Payment Due	Interest Rate
Home Mortgage	\$123,372	\$1,037	11/1/2021	8.10%
Credit Card Debt	\$3,750	\$102		18.00%
Auto Loan	\$12,000	\$300	9/30/2004	8.50%

Other Income Sources

Name	Description	Amount	Monthly/ Lump Sum	Begins at Age	Ends at Age	Annual Increase	Today's Value/ Future Value	Available for Survivors
Peter	Defined Benefit Plan	\$450	Monthly	65	90	4.00%	Future	Yes

Continued...

Needs In The Event Of Death

Income Needs Objective With children at home: 70.00% No children at home: 50.00%
 Provide Income for Lifetime
 Fund Children's Education Yes

Life Insurance Policies

Name	Company	Insurance Benefit	Annual Premium	Type
Peter	Group Insurance	\$90,000	\$0	Group
Peter	Nationwide	\$125,000	\$1,200	Universal Life
Susan	Group Insurance	\$60,000	\$0	Group

College Funding

Child's Name	School	Annual Amount (in Today's Dollars)	Years Needed	Percent Want To Provide
Ron	Public College	\$9,744	4	100%
Jennifer	Public College	\$9,744	4	100%
Daniel	Public College	\$9,744	4	100%

Total Funds Presently Available	Monthly Savings	Rate of Return
\$13,000	\$250	7.00%

Retirement Needs

	Peter	Susan
Desired Retirement Age	65	65
Employer Offers Retirement Plans	Yes	Yes
Maximum amount being contributed	No	No
Percentage of pre-retirement income during retirement	70.00%	

Long-Term Disability

Annual Employment Income	\$60,000	\$40,000
Disability income replacement objective:	Peter - 70.00%	Susan - 60.00%

Existing Insurance

Insured	Company	Monthly Benefit	Group/Personal	Annual Premium	Waiting Period (Months)	Benefit Period
Peter	Long-Term Disability Coverage	\$1,250	Group	\$0	3 months	To age 65

Long-Term Care

Estimated monthly long-term care costs:	\$3,500
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Planning Assumptions Used In This Analysis

Rate of Return on Assets	
During Retirement.....	6.00%
In the Event of Death.....	6.00%
For College Needs.....	7.00%
Number of month's income to set aside for emergency reserves.....	
	3
Long-term inflation rate.....	4.00%
Long-term inflation rate for College Costs.....	6.00%
Life expectancy age.....	90
Final Expenses.....	\$10,000

Notes

The primary goal is to take care of any unmet life insurance needs.

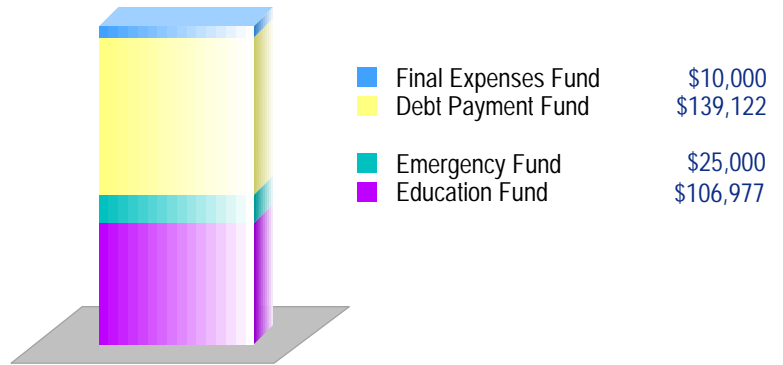
The secondary goal is to increase investments to meet retirement income needs.

Financial Needs in the Event of Peter's Death

This analysis shows the financial impact Peter's death can have on your family. Funds need to be available for both Cash Needs and a family's continuing Income Needs. Peter and Susan, you need \$281,099 for your immediate cash needs. Cash Needs include:

- A Final Expenses fund for medical, legal, funeral, and other expenses
- A Debt Payment Fund to pay off your debts, including your mortgage
- An Emergency Reserve Fund for unexpected bills not readily payable from current income
- An Education Fund to provide for your children's education

Total Immediate Cash Needs: \$281,099



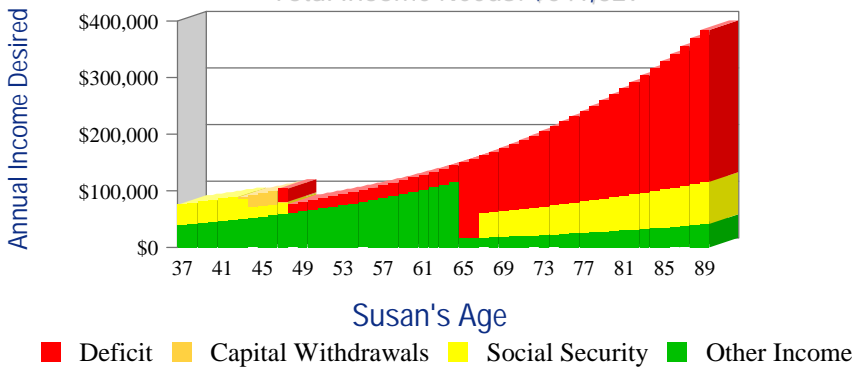
After a death, income generally comes from four different sources:

- Social Security
- Savings and Investments
- Life Insurance Proceeds
- Survivor's Earnings

Financial experts generally recommend that 70% of total household income be available after the death of a wage earner while there are children at home and 50% thereafter.

Based on the above assumptions, this analysis suggests that your plan may not meet your goals. Your current household income is \$100,000. If Peter were to die today, it is estimated that your assets would be sufficient to meet your family's Immediate Cash Needs. However, your family's Income Needs will only be 72% satisfied. To fully provide for your family's needs you will need additional capital of \$520,328.

Total Income Needs: \$541,829



<i>Summary</i>	
Cash Needs:	\$281,099
Income Needs:	541,829
<i>Less Present Funds</i>	<i>302,600</i>
Additional Capital Needs	\$520,328

Survivor Needs Detail

In the Event of Peter's Death

Assumptions	
Income Replacement % of Total Household Income with Dependents	70%
Income Replacement % of Total Household Income without Dependents	50%
Inflation	4.00%
Survivor Rate of Return	6.00%
Susan's Mortality	90

Income Objective				
Susan's Age	Income Need %	Annual Need (Today's Dollars)	Annual Need (Future Dollars)	Capital Value
37	70%	\$70,000	\$70,000	\$682,933
48	50%	50,000	76,973	1,152,422

Total Capital Needed to Provide Income Objective	\$1,835,355
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Income Sources						
Susan's Income Sources	Payment In Today's Dollars	From	To	COLA	First Year's Payment	Capital Value
Employment	\$40,000	37	65	4.00%	\$40,000	\$853,356
Social Security	35,384	37	90	2.50%	35,384	378,228
Defined Benefit Plan	5,400	65	90	4.00%	16,193	61,942

Total Income Sources	\$1,293,526
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Capital Needed to Meet Income Goals	\$541,829
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Immediate Cash Needs	
<i>Final Expenses</i>	\$10,000
<i>Debt Payment Fund</i>	\$139,122
Mortgage:	\$123,372
Credit Card Debt	3,750
Auto Loan	12,000
<i>Emergency Reserve Fund</i>	\$25,000
<i>Education Fund</i>	\$106,977

Continued...

Ron: Lump Sum needed today	\$36,328
\$9,744 needed for 4 years starting in 6 years.	
Jennifer: Lump Sum needed today	\$35,988
\$9,744 needed for 4 years starting in 7 years.	
Daniel: Lump Sum needed today	\$34,661
\$9,744 needed for 4 years starting in 11 years.	

Total Immediate Cash Needs	\$281,099
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Total Capital Needed to Meet Objectives	\$822,928
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Capital Available	
Account Name	Market Value
Education Funds	\$13,000
Fidelity Mutual Fund	8,700
Putnam Fund	6,200
CD	1,500
401(k)	42,000
401(k)	16,200
Life Insurance	215,000

Total Capital Available	\$302,600
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Additional Capital Needed to Meet Objectives	\$520,328
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Financial Needs Timeline

In the Event of Peter's Death

	Beginning Balance:				\$21,501
<i>Susan's Age</i>	<i>Annual Income Desired</i>	<i>Social Security</i>	<i>Other Income</i>	<i>Interest And Dividends</i>	<i>Balance</i>
37	\$70,000	\$35,384	\$40,000	\$1,463	\$28,348
38	72,800	36,269	41,600	1,864	35,282
39	75,712	37,176	43,264	2,269	42,278
40	78,740	38,105	44,995	2,677	49,314
41	81,890	39,058	46,794	3,086	56,363
42	85,166	40,034	48,666	3,496	63,393
43	88,572	35,163	50,613	3,713	64,310
44	92,115	18,021	52,637	3,167	46,021
45	95,800	18,472	54,743	2,034	25,469
46	99,632	18,934	56,932	763	2,466
47	103,617	19,407	59,210	(657)	(23,192)
48	76,973	0	61,578	(1,887)	(40,474)
49	80,052	0	64,041	(2,944)	(59,428)
50	83,254	0	66,603	(4,102)	(80,181)
51	86,584	0	69,267	(5,369)	(102,866)
52	90,047	0	72,038	(6,752)	(127,628)
53	93,649	0	74,919	(8,261)	(154,618)
54	97,395	0	77,916	(9,905)	(184,002)
55	101,291	0	81,033	(11,693)	(215,953)
56	105,342	0	84,274	(13,636)	(250,657)
57	109,556	0	87,645	(15,745)	(288,313)
58	113,938	0	91,151	(18,033)	(329,134)
59	118,496	0	94,797	(20,511)	(373,345)
60	123,236	0	98,589	(23,195)	(421,186)
61	128,165	0	102,532	(26,097)	(472,916)
62	133,292	0	106,633	(29,234)	(528,808)
63	138,623	0	110,899	(32,622)	(589,154)
64	144,168	0	115,335	(36,278)	(654,266)
65	149,935	0	16,193	(43,564)	(831,572)
66	155,933	0	16,841	(54,375)	(1,025,039)
67	162,170	43,168	17,514	(64,771)	(1,191,297)
68	168,657	44,248	18,215	(74,898)	(1,372,389)
69	175,403	45,354	18,944	(85,922)	(1,569,417)
70	182,419	46,488	19,701	(97,909)	(1,783,556)
71	189,716	47,650	20,489	(110,929)	(2,016,062)
72	197,304	48,841	21,309	(125,059)	(2,268,276)
73	205,197	50,062	22,161	(140,380)	(2,541,629)
74	213,404	51,314	23,048	(156,976)	(2,837,649)

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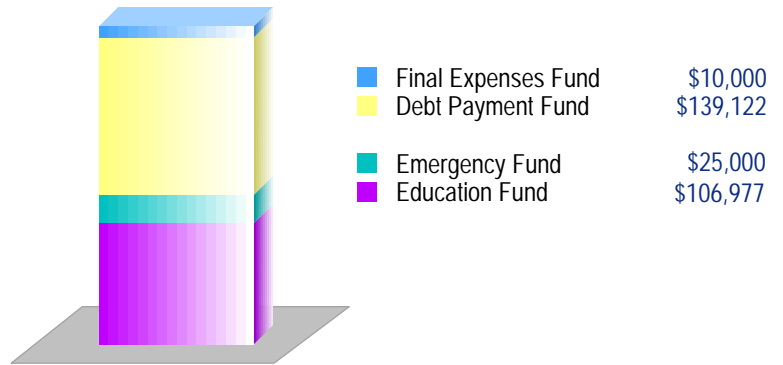
75	221,941	52,597	23,970	(174,942)	(3,157,965)
76	230,818	53,911	24,928	(194,373)	(3,504,316)
77	240,051	55,259	25,926	(215,376)	(3,878,559)
78	249,653	56,641	26,963	(238,062)	(4,282,671)
79	259,639	58,057	28,041	(262,550)	(4,718,762)
80	270,025	59,508	29,163	(288,967)	(5,189,083)
81	280,826	60,996	30,329	(317,449)	(5,696,033)
82	292,059	62,521	31,542	(348,140)	(6,242,168)
83	303,741	64,084	32,804	(381,193)	(6,830,214)
84	315,891	65,686	34,116	(416,773)	(7,463,076)
85	328,526	67,328	35,481	(455,055)	(8,143,849)
86	341,667	69,011	36,900	(496,225)	(8,875,830)
87	355,334	70,737	38,376	(540,481)	(9,662,532)
88	369,548	72,505	39,911	(588,034)	(10,507,698)
89	384,329	74,318	41,508	(639,111)	(11,415,313)

Financial Needs in the Event of Susan's Death

This analysis shows the financial impact Susan's death can have on your family. Funds need to be available for both Cash Needs and a family's continuing Income Needs. Peter and Susan, you need \$281,099 for your immediate cash needs. Cash Needs include:

- A Final Expenses fund for medical, legal, funeral, and other expenses
- A Debt Payment Fund to pay off your debts, including your mortgage
- An Emergency Reserve Fund for unexpected bills not readily payable from current income
- An Education Fund to provide for your children's education

Total Immediate Cash Needs: \$281,099



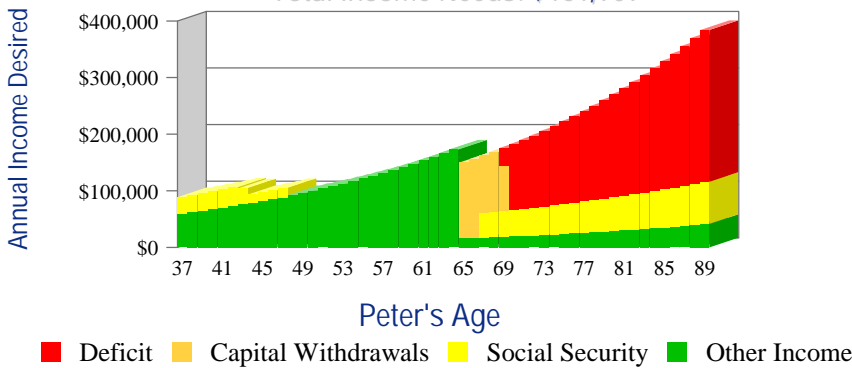
After a death, income generally comes from four different sources:

- Social Security
- Savings and Investments
- Life Insurance Proceeds
- Survivor's Earnings

Financial experts generally recommend that 70% of total household income be available after the death of a wage earner while there are children at home and 50% thereafter.

Based on the above assumptions, this analysis suggests that your plan may not meet all of your goals. Your current household income is \$100,000. If Susan were to die today, it is estimated that your assets would be insufficient to meet your family's Immediate Cash Needs. Additionally, your family's Income Needs will only be 91% satisfied. To fully provide for your family's needs you will need additional capital of \$295,408.

Total Income Needs: \$161,909



<i>Summary</i>	
Cash Needs:	\$281,099
Income Needs:	161,909
<i>Less Present Funds</i>	<i>147,600</i>
Additional Capital Needs	\$295,408

Survivor Needs Detail

In the Event of Susan's Death

Assumptions	
Income Replacement % of Total Household Income with Dependents	70%
Income Replacement % of Total Household Income without Dependents	50%
Inflation	4.00%
Survivor Rate of Return	6.00%
Peter's Mortality	90

Income Objective				
Peter's Age	Income Need %	Annual Need (Today's Dollars)	Annual Need (Future Dollars)	Capital Value
37	70%	\$70,000	\$70,000	\$682,933
48	50%	\$50,000	\$76,973	\$1,152,422

Total Capital Needed to Provide Income Objective **\$1,835,355**

Income Sources						
Peter's Income Sources	Payment In Today's Dollars	From	To	COLA	First Year's Payment	Capital Value
Employment	\$60,000	37	65	4.00%	\$60,000	\$1,280,034
Social Security	29,118	37	90	2.50%	29,118	331,470
Defined Benefit Plan	5,400	65	90	4.00%	16,193	61,942

Total Income Sources **\$1,673,446**

Capital Needed to Meet Income Goals **\$161,909**

Immediate Cash Needs	
<i>Final Expenses</i>	\$10,000
<i>Debt Payment Fund</i>	\$139,122
Mortgage:	\$123,372
Credit Card Debt	3,750
Auto Loan	12,000
<i>Emergency Reserve Fund</i>	\$25,000
<i>Education Fund</i>	\$106,977
Ron: Lump Sum needed today	\$36,328

Continued...

\$9,744 needed for 4 years starting in 6 years.	
Jennifer: Lump Sum needed today	\$35,988
\$9,744 needed for 4 years starting in 7 years.	
Daniel: Lump Sum needed today	\$34,661
\$9,744 needed for 4 years starting in 11 years.	

Total Immediate Cash Needs	\$281,099
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Total Capital Needed to Meet Objectives	\$443,008
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Capital Available	
Account Name	Market Value
Education Funds	\$13,000
Fidelity Mutual Fund	8,700
Putnam Fund	6,200
CD	1,500
401(k)	42,000
401(k)	16,200
Life Insurance	60,000

Total Capital Available	\$147,600
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Additional Capital Needed to Meet Objectives	\$295,408
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Financial Needs Timeline

In the Event of Susan's Death

				Beginning Balance:	(\$133,499)
<i>Peter's Age</i>	<i>Annual Income Desired</i>	<i>Social Security</i>	<i>Other Income</i>	<i>Interest And Dividends</i>	<i>Balance</i>
37	\$70,000	\$29,118	\$60,000	(\$7,394)	(\$121,775)
38	72,800	29,846	62,400	(6,680)	(109,009)
39	75,712	30,592	64,896	(5,904)	(95,137)
40	78,740	31,357	67,492	(5,060)	(80,089)
41	81,890	32,141	70,192	(4,147)	(63,793)
42	85,166	32,944	72,999	(3,158)	(46,174)
43	88,572	28,476	75,919	(2,261)	(32,612)
44	92,115	14,594	78,956	(1,911)	(33,088)
45	95,800	14,959	82,114	(1,944)	(33,759)
46	99,632	15,333	85,399	(1,990)	(34,650)
47	103,617	15,716	88,815	(2,050)	(35,786)
48	76,973	0	92,367	(1,651)	(22,043)
49	80,052	0	96,062	(807)	(6,839)
50	83,254	0	99,904	126	9,938
51	86,584	0	103,901	1,154	28,408
52	90,047	0	108,057	2,285	48,702
53	93,649	0	112,379	3,525	70,958
54	97,395	0	116,874	4,885	95,322
55	101,291	0	121,549	6,372	121,952
56	105,342	0	126,411	7,996	151,016
57	109,556	0	131,467	9,767	182,694
58	113,938	0	136,726	11,696	217,177
59	118,496	0	142,195	13,794	254,670
60	123,236	0	147,883	16,074	295,391
61	128,165	0	153,798	18,549	339,574
62	133,292	0	159,950	21,233	387,465
63	138,623	0	166,348	24,141	439,331
64	144,168	0	173,002	27,289	495,453
65	149,935	0	16,193	25,419	387,130
66	155,933	0	16,841	18,748	266,786
67	162,170	43,168	17,514	12,738	178,037
68	168,657	44,248	18,215	7,262	79,104
69	175,403	45,354	18,944	1,167	(30,834)
70	182,419	46,488	19,701	(5,594)	(152,658)
71	189,716	47,650	20,489	(13,076)	(287,310)
72	197,304	48,841	21,309	(21,334)	(435,799)
73	205,197	50,062	22,161	(30,431)	(599,203)
74	213,404	51,314	23,048	(40,431)	(778,677)

Continued...

75	221,941	52,597	23,970	(51,403)	(975,455)
76	230,818	53,911	24,928	(63,423)	(1,190,856)
77	240,051	55,259	25,926	(76,569)	(1,426,290)
78	249,653	56,641	26,963	(90,926)	(1,683,266)
79	259,639	58,057	28,041	(106,586)	(1,963,393)
80	270,025	59,508	29,163	(123,645)	(2,268,393)
81	280,826	60,996	30,329	(142,207)	(2,600,101)
82	292,059	62,521	31,542	(162,384)	(2,960,480)
83	303,741	64,084	32,804	(184,292)	(3,351,625)
84	315,891	65,686	34,116	(208,058)	(3,775,772)
85	328,526	67,328	35,481	(233,817)	(4,235,306)
86	341,667	69,011	36,900	(261,712)	(4,732,774)
87	355,334	70,737	38,376	(291,897)	(5,270,893)
88	369,548	72,505	39,911	(324,536)	(5,852,561)
89	384,329	74,318	41,508	(359,802)	(6,480,867)

Types of Life Insurance

Decreasing Term

Level premiums and decreasing death benefit. No cash accumulation. Frequently used for short-term decreasing financial liabilities, like a mortgage.

Annual Renewable Term

Increasing premiums with level death benefit. No cash accumulation. The strength of term is its low cost for large death benefits, particularly beneficial to younger families with limited resources and the need for maximum protection.

Level Term

Premiums stay level for stated term. Usually 5, 10, 15, or 20 years. Level death benefit. No cash value. Frequently used to cover short or intermediate-term obligations.

Cash Value - Ordinary Life or Whole Life

Premiums and death benefit are level. Cash accumulation. Provides for long-term needs, such as survivor income for a spouse or minor children. Other uses could include paying off debt and paying estate taxes.

Universal Life

Premiums and death benefit are flexible. The monthly cost of insurance and administrative charges are deducted, the balance of the premium goes to cash values. The benefits and uses are very similar to Whole Life. Cash values can increase based on current interest rates.

Variable Life

Premiums and death benefit may be flexible. Cash accumulation is directly affected by the performance of the separate accounts selected. Clients allocate their cash values among various types of investment options such as stock funds, bond funds, money market funds, etc. Cash values may increase or decrease depending on account performance.

Single Premium Life

A single premium paid up front. Level minimum death benefit. Cash accumulation. Provides long-term security. Different tax rules generally apply.

First To Die

May have flexible premiums and death benefits. Provides death benefits at the death of the first of two or more parties covered by the policy. Most often used in business insurance situations.

Survivorship Life

May have flexible premium with a level minimum death benefit. Most often used to pay death taxes and expenses due at second death.

Mutual funds and Variable Products are sold through registered representatives only and must be accompanied by a prospectus. Read the prospectus carefully prior to investing or sending money.

Life Insurance

There are a number of types of policies, each with a different approach to fulfilling one's needs for life insurance. Key considerations are the duration of the need, premium budget, and the purpose for the need. You will also want to take into consideration your own attitude about buying policies with underlying guarantees versus policies which shift more risk to the policy owner, and issues surrounding finding the best "short-term price" versus considerations of lowest "long-term cost." Your age and your general health may also affect your policy choices.

<i>Policy Type</i>	<i>Duration of need</i>	<i>Premium Budget</i>	<i>Purpose</i>	<i>Dominant Benefit</i>
Term	5-15- years	Low	Short-term protection	Initially inexpensive
Whole Life	15+ years	High	Long-term protection	Guaranteed premiums
Blended Whole Life	15+ years	Medium	Long-term protection	Initially flexible premiums
Universal Life	10+ years	Medium	Long-term protection	Flexible premiums
Variable Life	20+ years	Med-High	Long-term protection	For those with tolerance for risk: an opportunity to direct the investment of policy cash values

Tax advantages, liquidity at death, family benefits ... these are a few of the attributes of life insurance. And, life insurance is a product that can provide a known sum at an unknown time.

Life Expectancy Table

Life Expectancy in Years

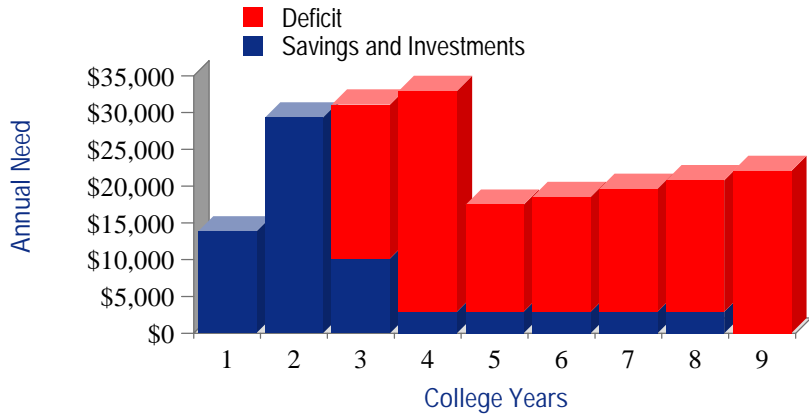
At Age	Male	Female
0	73.9	79.2
1	73.5	78.8
2	72.5	77.8
3	71.6	76.8
4	70.6	75.9
5	69.6	74.9
6	68.6	73.9
7	67.6	72.9
8	66.6	71.9
9	65.7	70.9
10	64.7	69.9
11	63.7	68.9
12	62.7	67.9
13	61.7	66.9
14	60.7	66.0
15	59.7	65.0
16	58.8	64.0
17	57.8	63.0
18	56.9	62.0
19	55.9	61.1
20	55.0	60.1
21	54.1	59.1
22	53.2	58.2
23	52.2	57.2
24	51.3	56.2
25	50.4	55.2
26	49.4	54.3
27	48.5	53.3
28	47.6	52.3
29	46.6	51.3
30	45.7	50.4
31	44.7	49.4
32	43.8	48.4
33	42.9	47.5
34	41.9	46.5
35	41.0	45.6
36	40.1	44.6
37	39.1	43.6
38	38.2	42.7
39	37.3	41.7
40	36.4	40.8
41	35.5	39.9
42	34.6	38.9
43	33.7	38.0
44	32.1	37.1
45	31.9	36.1
46	31.0	35.2
47	30.2	34.3
48	29.3	33.4
49	28.5	32.5
50	27.6	31.6
51	26.8	30.7
52	25.9	29.8
53	25.1	28.9
54	24.2	28.0
55	23.4	27.1
56	22.6	26.3
57	21.8	25.4
58	21.0	24.6
59	20.3	23.7
60	19.5	22.9
61	18.7	22.1
62	18.0	21.3
63	17.3	20.5
64	16.5	19.7
65	15.8	18.9
66	15.2	18.2
67	14.5	17.4
68	13.9	16.7
69	13.2	16.0
70	12.6	15.3
71	12.0	14.6
72	11.4	13.9
73	10.8	13.2
74	10.3	12.6
75	9.7	11.9
76	9.2	11.3
77	8.7	10.7
78	8.2	10.1
79	7.7	9.5
80	7.2	8.9
81	6.8	8.4
82	6.4	7.9
83	5.9	7.3
84	5.6	6.9
85	5.2	6.4

Source: Social Security Administration, Period Life Table, 2000, Updated July 31, 2003

College Funding



College Funding



Will you have enough money when it is time to send your children to college? The earlier you begin setting money aside, the more likely you are to achieve your goals.

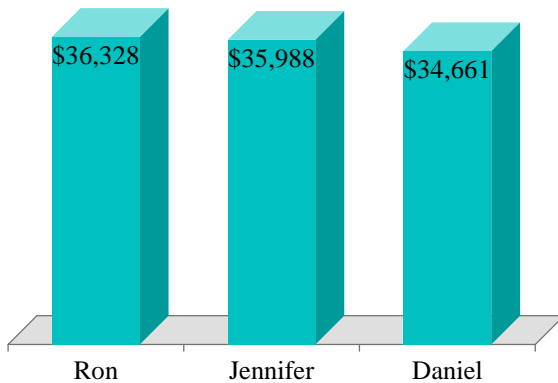
You currently have \$13,000 set aside and you are saving \$250 a month at 7.00% for college expenses.

This analysis suggests that your current plan may not meet your goals. In order to fully fund your children's college expenses, you will need to begin saving an additional \$613 a month.

Projected College Costs

Ron	\$60,466
Jennifer	64,094
Daniel	80,917
Total	\$205,478

Total College Cost in Today's Dollars



Monthly savings alternative

Begin saving an additional \$613 per month for the next 14 years.

Why should you begin planning for education needs now?

If you wait until it's time for college to begin, you lose the advantage of spreading the costs over many years.

If you have to borrow money to pay for college, the amount of the loan and interest will have to be repaid.

If you start now, the interest earned on your savings will reduce the total amount that you need to save.

College Funding Detail

Assumptions	
College Cost Inflation Rate	6.00%
Average Rate of Return	7.00%
This analysis assumes that savings will continue until the start of the last year of college.	

Goal Summary							
Name/ School	Age	Annual Need (today's Dollars)	Years Until Needed	Number Years Needed	Present Value of Total Cost	Percentage To Be Funded	Present Value of Total Cost To Be Funded
Ron Public College	12	\$9,744	6	4	\$36,328	100%	\$36,328
Jennifer Public College	11	9,744	7	4	35,988	100%	35,988
Daniel Public College	7	9,744	11	4	34,661	100%	34,661

Present Value of Total Need	\$106,977
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Savings Summary	
Current Savings	\$13,000
Monthly Savings	
\$250 per month for 14 years at 7.00% grows to \$70,190	
In today's dollars that is:	\$27,221

Present Value of Savings	\$40,221
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Single Sum Needed Today to Fund Shortage	\$66,756
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Additional Monthly Savings Required	
Starting Age	Amount Needed
Peter's age 37 for 14 years	\$613

College Funding Techniques

Qualified State Tuition Programs (Section 529 Plans) - Section 529 Plans are authorized under Internal Revenue Code Section 529 and are sponsored by the individual states. These programs allow parents, grandparents and non-relatives to contribute money to an account of which the child is the beneficiary. There are two types of plans: a prepaid tuition plan and a savings plan. Prepaid tuition plans guarantee that the investment will at least keep pace with increases in college tuition. Restrictions may apply regarding who may contribute to the prepaid plan and which schools are eligible. Private colleges and universities may establish prepaid plans beginning in 2002. Savings plans are managed investment funds that can be more flexible. Income inside these plans is not currently taxable. Funds withdrawn to pay for qualified education expenses are also free from federal income tax.* The child may attend almost any accredited college, university, or trade school regardless of location. These plans, having no income restrictions, are available to almost anyone. Unlike UGMAs and UTMAs (discussed below), the donor retains control over the funds. Tax-free rollovers from one plan to another are allowed for the benefit of the same beneficiary once per year. Because contributions are considered completed gifts, the plans offer estate planning advantages. Some plans offer preferential state tax treatment. Funds may be transferred, if necessary, to a family member of the beneficiary without penalty. Withdrawals without penalty are also allowed for scholarship, death, and disability.

Coverdell Education Savings Accounts (formerly Education IRAs) - Taxpayers may contribute up to \$2,000 per year into a Coverdell Education Savings Account (ESA) for a child under age 18. Parents, grandparents, other family members, friends, and children themselves may contribute to the Coverdell ESA, provided that the total contributions during the taxable year do not exceed the \$2,000 limit. Amounts contributed into the account grow tax-free until distributed, and the child will not owe tax on any withdrawal from the account if the child's qualified higher education expenses at an eligible educational institution for the year equal or exceed the amount of withdrawal. Eligible expenses also include elementary and secondary school (K-12) costs and the cost of computer equipment, internet services, and software. If the child does not need the money for post-secondary education, the account balance can be rolled over to the Coverdell ESA of certain family members who can use it for their education expenses. Amounts withdrawn from a Coverdell ESA that exceed the child's qualified education expenses in a taxable year are generally subject to income tax and to an additional tax of 10%.

Uniform Gift to Minors Act (UGMA) and Uniform Transfer to Minors Act (UTMA) - A donor may make an outright gift to a custodial account for the benefit of a minor child. The parent or custodian may retain responsibility of management of the assets in the account subject to the terms of the act. The normal rule regarding the annual \$11,000 limit for gift tax exclusion applies. The donor may choose to contribute from a number of assets, such as stocks, bonds, mutual funds or real estate. The funds may be used for any purpose, including education. One possible problem with the UGMA and UTMA is that upon reaching a certain age, specified by each state's laws, the child has full discretionary control over the accumulated assets.

Cash Value Life Insurance - Parents, grandparents, or other family members may gift premiums, and the cash value build-up inside the policy is tax deferred during the accumulation period. When the time for college arrives, the needed cash may be withdrawn from the policy (generally on a tax-free basis up to the amount of the premiums paid), or the cash values can be borrowed from the policy. In most cases, loans or withdrawals will reduce the policy's cash value and death benefit. If the policy is surrendered or lapses, taxes may be due. If the insured dies before the child goes to school, then the life insurance proceeds can be used to fund education expenses.

U.S. Savings Bonds Interest earned by U.S. Series EE Savings Bonds is free from state income taxes. All or some of the interest may also be free from federal income taxes if the bonds are used for qualified higher education expenses. The exclusion from federal tax is subject to an income phaseout. The bonds must be registered in the parent's name and redeemed in the same year as the eligible tuition and fees are paid.

Consult with your legal or tax advisor to determine your eligibility to use a specific strategy, and adverse tax consequences of a particular strategy, and whether a particular strategy would be beneficial for you.

*Tax-free withdrawals are scheduled to end December 31, 2010 with the sunset of the Economic Growth and Tax Relief Reconciliation Act of 2001.

College Costs - by Region

	Tuition and Fees		10 Year Change	Percentage Change
	1992-1993	2002-2003		
National				
Two-Year Public	\$1,410	\$1,735	\$325	23%
Two-Year Private	7,271	9,890	2,619	36%
Four-Year Public	2,949	4,081	1,132	38%
Four-Year Private	13,202	18,273	5,071	38%
New England				
Two-Year Public	2,357	2,643	286	12%
Two-Year Private	10,373	16,390	6,017	58%
Four-Year Public	4,588	5,484	896	20%
Four-Year Private	17,740	23,289	5,549	31%
Middle States				
Two-Year Public	2,300	2,886	586	25%
Two-Year Private	9,887	9,224	-663	-7%
Four-Year Public	3,898	5,202	1,304	33%
Four-Year Private	13,908	19,685	5,777	42%
South				
Two-Year Public	1,161	1,616	455	39%
Two-Year Private	6,547	9,567	3,020	46%
Four-Year Public	2,539	3,446	907	36%
Four-Year Private	11,312	15,753	4,441	39%
Midwest				
Two-Year Public	1,804	2,197	393	22%
Two-Year Private	7,138	8,978	1,840	26%
Four-Year Public	3,306	4,803	1,497	45%
Four-Year Private	12,668	17,225	4,557	36%
Southwest				
Two-Year Public	877	1,186	309	35%
Two-Year Private	4,492	6,369	1,877	42%
Four-Year Public	1,784	3,516	1,732	97%
Four-Year Private	9,448	14,310	4,862	51%
West				
Two-Year Public	778	967	189	24%
Two-Year Private	3,710	----	----	----
Four-Year Public	2,488	3,074	586	24%
Four-Year Private	12,952	17,124	4,172	32%

All data are enrollment-weighted averages, intended to reflect the average costs that students face in various types of institutions. Dashes indicate that the sample was too small to provide meaningful information.

Source: The College Board, Trends in College Pricing copyright© 2002 by College Entrance Examination Board. All rights reserved.

Retirement Analysis

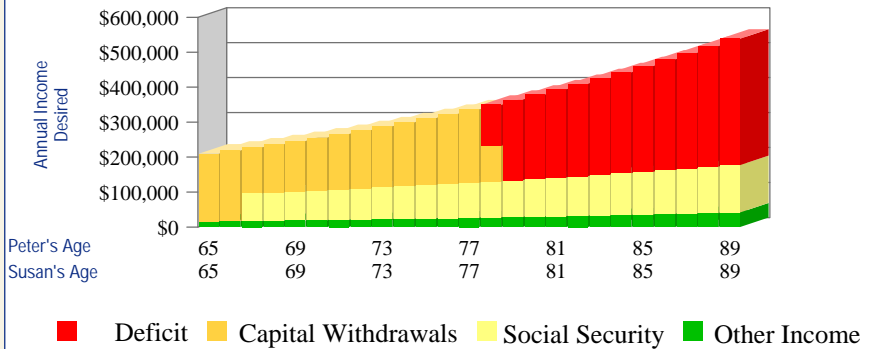
Will you have enough money when you retire? The earlier you begin setting money aside, the more likely you are to achieve your goals.

Retirement income generally comes from three different sources:

- Social Security
- Employer Sponsored Plans
- Savings and Investments

This analysis suggests that your plan may not meet your goals. It is estimated that your assets will be **depleted** by age 78. At that time, your remaining income sources will be limited to Social Security and Other Income sources, providing only 37% of your income.

Retirement Analysis



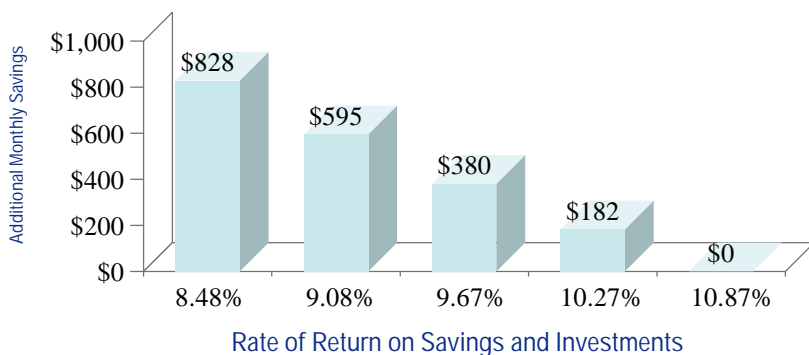
To provide your desired income, you will need additional capital at retirement age 65. In order to meet this need, you should consider:

- Saving more money
- Earning a higher return on your assets

If you are not able to accumulate this capital, you may need to consider:

- Postponing your retirement, or
- Reducing your standard of living

Save More or Earn More



This chart shows various options in order for you to meet your objectives. Based on your current average rate of return of 8.48%, you would need to save an additional \$828 a month. Alternatively, if you could increase your average rate of return to 10.87%, your objectives would be met.

If these options are not attainable, work towards doing a little bit of both; saving more money and earning a higher rate of return.

Assumptions: Income increases at 4.00% annually. Rate of return during retirement is 6.00%. Social Security benefits increase at 2.50%.

Retirement Analysis Detail

Assumptions

Income Replacement at Retirement in the year 2031	70%
Inflation	4.00%
Rate of Return for Assets during Retirement	6.00%
Mortality assumed for Peter and Susan	90 / 90

Income Objective

	Current Household Income	Annual Need (Today's Dollars)	Annual Need (At Retirement)	Capital Value
At Peter's Age 65	\$100,000	\$70,000	\$209,909	\$4,104,431

Total Value of Income Objective

\$4,104,431

Income Sources

Income Sources	Payment In Today's Dollars	From	To	COLA	First Year's Payment	Capital Value
Peter's Social Security	\$20,580	67	90	2.50%	\$43,168	\$609,623
Susan's Social Security	16,890	67	90	2.50%	35,428	500,320
Defined Benefit Plan	5,400	65	90	4.00%	16,193	316,628

Total Income Sources

\$1,426,570

Capital Needed to Meet Objectives

\$2,677,861

Continued...

Capital Available				
Asset Name	Market Value	Total Annual Contribution	Assumed Rate of Return	Value At Retirement
Fidelity Mutual Fund	\$8,700	\$0	9.00%	\$97,154
Putnam Fund	6,200	0	8.00%	53,488
CD	1,500	0	3.00%	3,432
401(k)	42,000	5,400	8.50%	998,053
401(k)	16,200	2,700	8.50%	451,899

Total Capital Available	\$1,604,026
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Additional Capital Needed to Meet Objectives	\$1,073,835
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Retirement Analysis Timeline

						Beginning Balance:	\$1,604,026
<i>Peter's Age</i>	<i>Susan's Age</i>	<i>Annual Income Desired</i>	<i>Social Security</i>	<i>Other Income</i>	<i>Interest And Dividends</i>	<i>Balance</i>	
65	65	\$209,909	\$0	\$16,193	\$90,002	\$1,500,312	
66	66	218,306	0	16,841	83,529	1,382,377	
67	67	227,038	78,597	17,514	78,725	1,330,175	
68	68	236,119	80,562	18,215	75,387	1,268,219	
69	69	245,564	82,576	18,944	71,453	1,195,628	
70	70	255,387	84,640	19,701	66,872	1,111,455	
71	71	265,602	86,756	20,489	61,587	1,014,685	
72	72	276,226	88,925	21,309	55,534	904,228	
73	73	287,275	91,148	22,161	48,650	778,912	
74	74	298,766	93,427	23,048	40,863	637,484	
75	75	310,717	95,763	23,970	32,097	478,596	
76	76	323,146	98,157	24,928	22,272	300,807	
77	77	336,071	100,611	25,926	11,299	102,571	
78	78	349,514	103,126	26,963	(914)	(117,768)	
79	79	363,495	105,704	28,041	(14,466)	(361,984)	
80	80	378,035	108,347	29,163	(29,467)	(631,976)	
81	81	393,156	111,055	30,329	(46,028)	(929,776)	
82	82	408,882	113,832	31,542	(64,274)	(1,257,558)	
83	83	425,238	116,678	32,804	(84,336)	(1,617,650)	
84	84	442,247	119,595	34,116	(106,353)	(2,012,539)	
85	85	459,937	122,584	35,481	(130,476)	(2,444,887)	
86	86	478,334	125,649	36,900	(156,865)	(2,917,537)	
87	87	497,468	128,790	38,376	(185,691)	(3,433,530)	
88	88	517,367	132,010	39,911	(217,139)	(3,996,114)	
89	89	538,061	135,310	41,508	(251,403)	(4,608,760)	

Traditional IRA vs. Roth IRA

Traditional IRA	Roth IRA
Up to \$3,000 may be deductible annually. This amount is increased by \$500 for individuals who attain age 50 before the end of the tax year.	Up to \$3,000 is non-deductible annually. This amount is increased by \$500 for individuals who attain age 50 before the end of the tax year.
Cannot make contributions past age 70 ½.	Can make contributions after age 70 ½.
<p>A working individual not active in an employer-sponsored plan and a non-working spouse can each contribute \$3,000 annually without any income limitation.</p> <p>An individual whose spouse is an active participant in an employer-sponsored plan can make deductible contributions up to \$3,000, phasing out between a combined Adjusted Gross Income (AGI) of \$150,000 and \$160,000.</p> <p>The AGI limitation for individuals participating in an employer-sponsored plan will increase each year until it reaches \$80,000 for married couples filing jointly and \$50,000 for single persons in 2007. Beginning in 2007, the deduction will be phased out over \$20,000 instead of the current \$10,000.</p>	<p>Contributions are not affected by participation in an employer-sponsored plan.</p> <p>Contributions are phased out for single persons between an Adjusted Gross Income (AGI) of \$95,000 and \$110,000, and for married couples, filing jointly between an AGI of \$150,000 and \$160,000.</p>
Distribution must begin by April 1 of year following attainment of age 70 ½.	Minimum distributions are not required after age 70 ½
Distributions before age 59 ½ may be subject to ordinary income tax and a 10% penalty.	<p>Earnings portion on distribution before age 59 ½ is subject to ordinary income tax and 10% penalty.</p> <p>Distributions after age 59 ½ and after the account has been established for five years will be free of federal income taxes.</p> <p>Distributions after age 59 ½ and before the account has been established for five years will not be subject to a 10% early withdrawal penalty, but will be subject to ordinary income taxes. (Assumes contributions are withdrawn first, and no taxes are due until after all contributions are withdrawn and earnings begin being withdrawn.)</p>

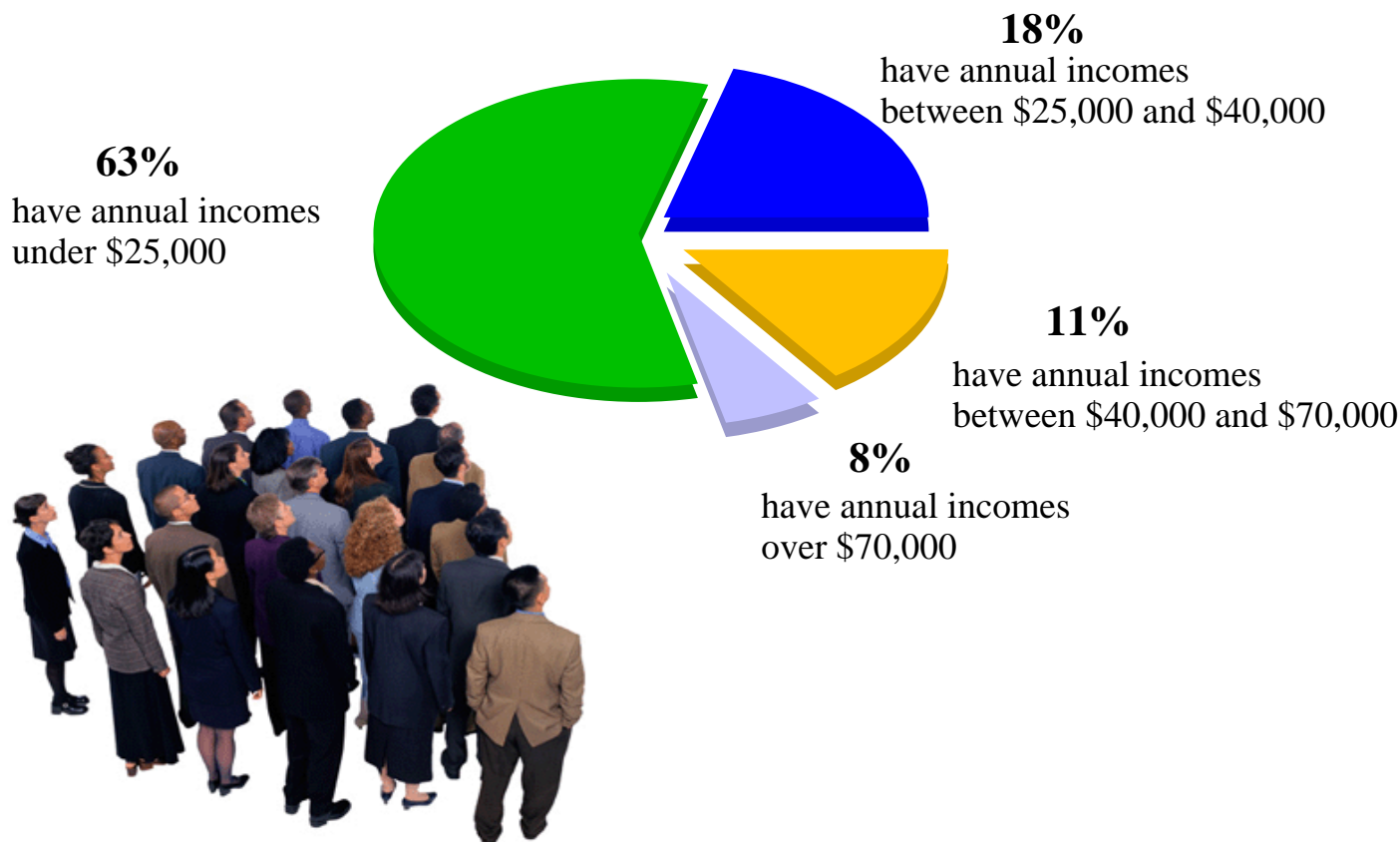
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Traditional IRA	Roth IRA
<p>The 10% penalty will not apply for distributions for "qualified higher education expenses" for taxpayer, taxpayer's spouse, children or grandchildren. It also will not apply for distributions up to a \$10,000 lifetime limit for "qualified first-time homebuyers" (individuals who have not had an ownership interest in a principal residence for two years) if used within 120 days of purchase.</p>	<p>Same</p>
<p>A traditional IRA owned by an individual with an AGI less than \$100,000 can be converted to a Roth IRA.</p>	<p>An account set up as a Roth IRA cannot be converted to a traditional IRA.</p>
<p>State taxes are paid on distributions.</p>	<p>In most states, there will not be any state taxes. Check your state for specific details.</p>

Retirement Statistics

Every day people die, and people retire. It is important that any financial plan provide funding for retirement and for premature death.

According to recent government statistics, incomes for people age 65 and older are:



Most people are very concerned about their prospect for financial independence. Over 70% believe they won't have enough money at retirement. Of those between the ages of 30 and 54, almost 80% feel this way.

One of the factors in their uncertainty is Social Security. In the mid-1970's, two-thirds of those surveyed said they were confident that Social Security benefits would be there for them at retirement. In the 1980's this was completely reversed. Two-thirds said they were not confident that Social Security would be there at retirement, and if it were, it would not be adequate to provide a reasonable standard of living.

There does, however, seem to be agreement that being financially independent at retirement requires putting money aside while you're working and earning income...even if it means making some short-term sacrifices along the way.

Source: Social Security Administration, The Office of Policy, Income of the Population 55 or older, 2000; February 2002.

Financial Needs in the Event of Peter's Disability

Peter, according to the 1985 Commissioners Disability Tables, at your age of 37, the odds of you becoming disabled in the next 30 years for 90 days or more are approximately 1 in 2. There are currently over fourteen million people of working age who are disabled.

This analysis shows the financial impact a disability can have on your financial situation.

Your current annual income is \$60,000 and your current long-term disability coverage provides \$15,000 per year. Your goal is to provide 70% of your current income, or \$42,000, in the event you become disabled.

Without additional coverage you may need to deplete your savings and investments to meet your ongoing living expenses.

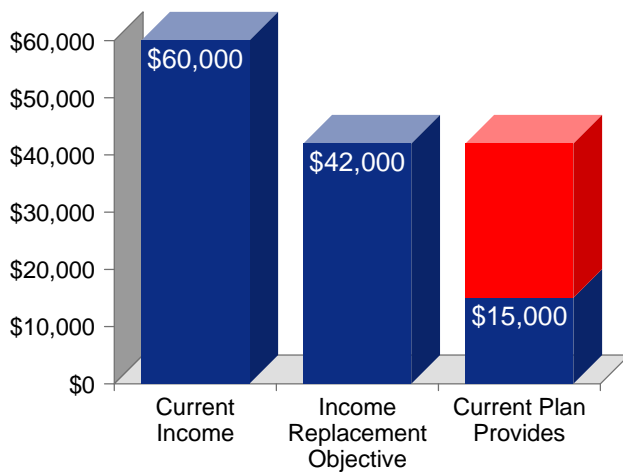
About Disability Income Insurance...

When purchasing disability income protection, there are a number of options to consider:



- Protection against inflation for future Benefits paid, referred to as Cost of Living Adjustment (COLA).
- Non-cancelable, guaranteed renewable provisions.
- Various waiting periods are available. The longer the waiting period, the lower the premium.
- Policies offer varying benefit periods. The longer the period covered by the policy, the higher the premium.
- Some Policies provide "Own Occupation" coverage and will pay benefits if the insured is unable to work in their specialized field.

Disability Income



A word about Social Security...

This analysis does not include any potential benefits from Social Security since Social Security rejects over 60% of all disability claims.

Social Security defines disability as "the inability to engage in *any* gainful activity by reason of any...physical or mental impairment which has lasted or can be expected to last for a continuous period of *not less than 12 months*, or is expected to *result in death*...There is a five month waiting period."

Source: Social Security Administration, 2002.

Financial Needs Detail

In the event of Peter's Disability

Assumptions	
Income Replacement % of Peter's Income	70%
Inflation	4.00%

In the first year following a disability				
After	Salary to Replace	Desired Replacement	Existing Insurance	(Shortage)/ Surplus
1 Month	\$60,000	\$42,000	\$0	(\$42,000)
2 Months	\$60,000	\$42,000	\$0	(\$42,000)
3 Months	\$60,000	\$42,000	\$15,000	(\$27,000)
6 Months	\$60,000	\$42,000	\$15,000	(\$27,000)

In the years following a disability					
	Peter's Age	Salary to Replace	Desired Replacement	Existing Insurance	(Shortage)/ Surplus
1 Year	38	\$62,400	\$43,680	\$15,600	(\$28,080)
2 Years	39	\$64,896	\$45,427	\$16,224	(\$29,203)
5 Years	42	\$72,999	\$51,099	\$18,250	(\$32,850)
10 Years	47	\$88,815	\$62,170	\$22,204	(\$39,967)
Age 64		\$173,002	\$121,101	\$43,251	(\$77,851)
Age 65		\$179,922	\$125,946	\$0	(\$125,946)

Disability Policies					
Policy Name	Monthly Benefit	Type	Waiting Period	Benefit Period	COLA
Long-Term Disability Coverage	\$1,250	Group	3 months	To age 65	4.00%

Financial Needs in the Event of Susan's Disability

Susan, according to the 1985 Commissioners Disability Tables, at your age of 37, the odds of you becoming disabled in the next 30 years for 90 days or more are approximately 1 in 2. There are currently over fourteen million people of working age who are disabled.

This analysis shows the financial impact a disability can have on your financial situation.

Your current annual income is \$40,000 and your current long-term disability coverage provides \$0 per year. Your goal is to provide 60% of your current income, or \$24,000, in the event you become disabled.

Without additional coverage you may need to deplete your savings and investments to meet your ongoing living expenses.

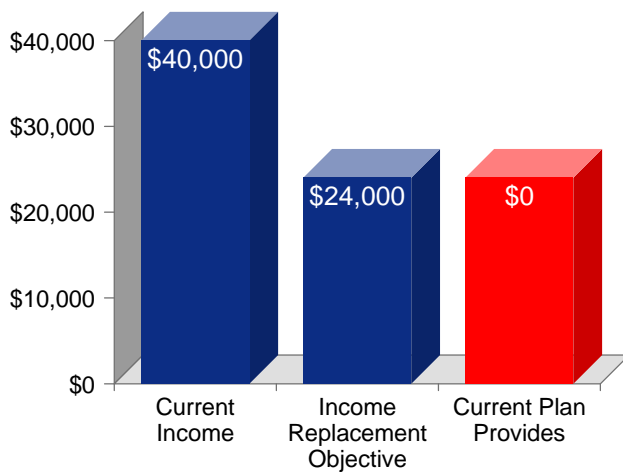
About Disability Income Insurance...

When purchasing disability income protection, there are a number of options to consider:



- Protection against inflation for future Benefits paid, referred to as Cost of Living Adjustment (COLA).
- Non-cancelable, guaranteed renewable provisions.
- Various waiting periods are available. The longer the waiting period, the lower the premium.
- Policies offer varying benefit periods. The longer the period covered by the policy, the higher the premium.
- Some Policies provide "Own Occupation" coverage and will pay benefits if the insured is unable to work in their specialized field.

Disability Income



A word about Social Security...

This analysis does not include any potential benefits from Social Security since Social Security rejects over 60% of all disability claims.

Social Security defines disability as "the inability to engage in *any* gainful activity by reason of any...physical or mental impairment which has lasted or can be expected to last for a continuous period of *not less than 12 months*, or is expected to *result in death*...There is a five month waiting period."

Source: Social Security Administration, 2002.

Financial Needs Detail

In the event of Susan's Disability

Assumptions	
Income Replacement % of Susan's Income	60%
Inflation	4.00%

In the first year following a disability				
After	Salary to Replace	Desired Replacement	Existing Insurance	(Shortage)/ Surplus
1 Month	\$40,000	\$24,000	\$0	(\$24,000)
2 Months	\$40,000	\$24,000	\$0	(\$24,000)
3 Months	\$40,000	\$24,000	\$0	(\$24,000)
6 Months	\$40,000	\$24,000	\$0	(\$24,000)

In the years following a disability					
	Susan's Age	Salary to Replace	Desired Replacement	Existing Insurance	(Shortage)/ Surplus
1 Year	38	\$41,600	\$24,960	\$0	(\$24,960)
2 Years	39	\$43,264	\$25,958	\$0	(\$25,958)
5 Years	42	\$48,666	\$29,200	\$0	(\$29,200)
10 Years	47	\$59,210	\$35,526	\$0	(\$35,526)
Age 64		\$115,335	\$69,201	\$0	(\$69,201)
Age 65		\$119,948	\$71,969	\$0	(\$71,969)

Disability Policies					
Policy Name	Monthly Benefit	Type	Waiting Period	Benefit Period	COLA
No policies are listed.					

Disability Income Insurance

Most people have insurance coverage on their homes, autos, etc., but many have not realized the value of their future earnings may far exceed the value of their tangible assets. If their future earnings cease because of an accident or illness, the loss of income could present serious financial problems. Studies indicate that for people under age 65, the odds of disability are higher than the odds of dying before age 65.*

Disability income insurance policies can help replace a portion of the loss of income due to disability during one's working years. The following is a list of features disability income policies can include:

- | Non-cancelable, guaranteed renewable provisions.
- | Protection against inflation for future benefits paid, referred to as Cost of Living Adjustment (COLA).
- | Various elimination periods before benefits begin, typically 30, 60, or 90 days, 6 months, or one year. The longer the elimination period, the lower the premium. A person's liquid reserves, income, and existing disability income insurance must be considered when selecting an appropriate elimination period.
- | Some policies provide "Own Occupation" coverage and will pay benefits if those insured are unable to work in their specialized field.
- | Policies offer varying benefit periods. Some policies, for example, offer a lifetime benefit if the disability was caused by an accident, and to age 65 for a disability caused by illness. Disability can last for a long time. The longer the period covered by the policy, the higher the premium.
- | Disability policies may be purchased by an individual or by a company. Others may be acquired on a group or association basis.

Other types of Disability Income Insurance policies include:

- | Key Employee Disability Insurance - When the employer owns the policy, the insurance benefits can provide funds to help cover expenses related to the loss of services of a disabled employee, such as hiring and training a replacement.
- | Disability Buy-out - Funds can be provided to help effect a buy-out of a disabled business owner or professional under the terms of a Buy-Sell agreement.
- | Business Overhead Expense - If a business owner or professional becomes disabled, these policies can provide funds to help cover ongoing expenses such as rent, employee salaries, etc., to keep the business open during the period of disability.

Of Special Note: Some policies pay benefits when earnings drop by a certain percentage due to a disability. Others require a physician's certification to pay or continue benefits. Also, some policies provide for partial or residual disability benefits where the insured can perform some, but not all of their duties. Policy language and provisions should be carefully reviewed.

*Source: Social Security Administration 6/99.

Disability - Sources of Income

Savings

If you save 10% annually, one year of disability could wipe out 10 years of savings.

Family, Friends and Charity

Do you want to depend on them?



Other Household Income

Is it enough to cover all of your expenses?

Sell Investments

Will you get a fair price?

Loan

Without an income, will anyone lend you money?

Social Security

Over 60% of applicants are rejected.*

When disability occurs, most options, except insured income replacement, may be inadequate or quickly exhausted.

Disability is difficult enough - disability without income is even worse. Disability income insurance is the only long-term solution to a long-term disability.

*Source: Social Security Administration, 2002.

Odds of Death and Disability



*Odds of Death
At Age*

*Within
15 Years*

*Within
30 Years*

25	1 in 29	1 in 8
30	1 in 22	1 in 5
35	1 in 15	1 in 4
40	1 in 10	1 in 3
45	1 in 7	1 in 2
50	1 in 4	Almost Certain



*Odds of Disability
At Age*

*Within
15 Years*

*Within
30 Years*

25	1 in 8	1 in 3
30	1 in 6	1 in 3
35	1 in 5	1 in 2
40	1 in 4	1 in 2
45	1 in 4	1 in 2
50	1 in 4	Almost Certain

When creating a plan, it is critical that proper planning for death and disability be included.

Source: 1980 Commissioners Standard Ordinary Mortality and 1985 Disability Tables.

Long-Term Care Needs



Long-term care expenses can have a devastating impact on a financial situation.

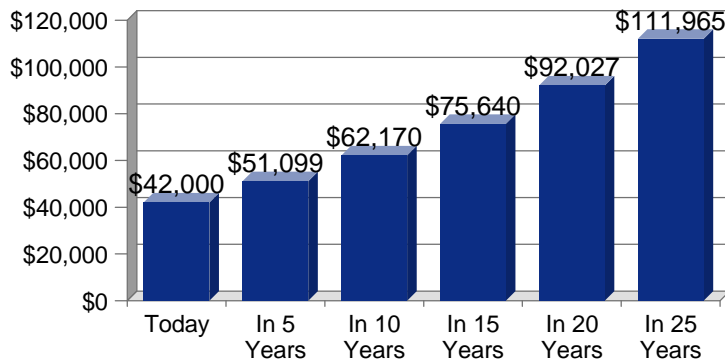
According to the Health Insurance Association of America in 2002, over 40% of those age 65 and older will enter a nursing home before they die. Over 70% will require home health care services.

Peter and Susan, since you do not have any long-term care coverage, you may need to deplete your savings and investments in order to meet long-term care expenses.

Did you know...

- In 2002, over seven million people required Long-Term Care services and the number was expected to double over the next 30 years.¹
- The average nursing home stay lasts more than 2.5 years.²
- The average cost for a nursing home stay is \$50,000 per year and can easily be \$100,000 per year in some regions.¹
- Disability income insurance will not cover most long-term care expenses.
- People will need to spend almost all of their assets in order to qualify for Medicaid benefits.

Projected Annual Nursing Home Costs*



* Assumes 4% annual increases in nursing home care costs.

¹ Health Insurance Association of America, Guide to Long-Term Care, 2002.
² Department of Health and Human Services, National Nursing Home Survey, 1999.
³ Centers for Medicare and Medicaid Services 2003.

About Medicare...

Medicare pays only about 12% of total nursing home care costs.³ There is only limited coverage, and only for the first 100 days. Additionally, no coverage is offered for intermediate or custodial care that the vast majority of nursing home residents require.

About Medicaid...

To qualify for Medicaid, a patient must be impoverished under their state's definition. According to Federal guidelines, in order to qualify for Medicaid your assets cannot exceed \$90,660³, excluding:

- One residence provided spouse or children live there
- One car
- Personal and household items

Any gifts of assets must occur at least 36 months prior to applying for Medicaid in order to meet the asset guidelines.

Medicare

The Medicare program has two parts. Part A is Hospital Insurance (HI) and Part B is Supplemental Medical Insurance (SMI). Part A is financed by payroll taxes based on covered work before and after eligibility for Medicare. Part B (SMI) is partly financed by premiums and partly by the general tax revenues of the government. Medicare becomes available at the beginning of the month in which an individual reaches age 65, whether you are retired or still working. It is also available if one has been receiving Social Security disability benefits for two years or has a chronic kidney disorder.

Part A. Hospital Insurance

The amounts you pay for hospitalization change every year, depending on the increases in hospital costs. Amounts shown reflect those in effect for 2003. However, you never have to pay more than the actual charges.

Hospital Stays: On immediate admission the client must pay a deductible. In 2003, it is \$840 per stay. After the first 60 days you must pay \$210 per day. After 90 days the co-insurance amount is \$420 for each "non-renewable, lifetime, reserve day." After 150 days, you pay all costs. With each admission, you will need to pay another deductible charge.

Skilled Nursing Facility Care: You may qualify for nursing facility benefits if both your situation and the facility meet Medicare's strict standards. Skilled nursing facility care is available only after a hospital stay of at least three days. It is important to note that custodial care is not covered. If you qualify, you pay nothing for the first 20 days of covered expenses, and for the next 80 days, you pay \$105 per day. Benefits stop after 100 days.

Home Health Care: Care such as part-time or intermittent skilled nursing care, physical therapy, medical social services, medical supplies, durable medical equipment and some rehabilitation equipment may be covered if prescribed by a doctor. You pay 20% of the approved amount for durable medical equipment. A hospital stay prior to these benefits is not required.

Hospice Care: The patient can be charged \$5 per prescription and 5% of the Medicare Payment per day for respite care, for no more than 5 days. However, if hospice care is selected, all other Medicare benefits stop.

Monthly Premium: \$316 (if have less than 30 quarters of Social Security); \$174 (if have between 30 to 39 quarters of Social Security).

Part B. Supplemental Medical Insurance Benefits

In 2003 you pay for the first \$100 of qualified charges for covered medical services. This is the deductible. After that, Supplemental Medical Insurance will pay 80% of covered expenses, subject to the maximum of the standard charges recognized by Medicare.

Monthly Premium: \$58.70 - A surcharge of 10% is assessed for each full 12 months (in the same continuous period of eligibility) in which a beneficiary could have been enrolled but was not.

Covered Expenses:

Physician services, wherever provided, and supplies furnished as part of the services.

Physical, speech, and occupational therapies, with limits.

Non-routine vision services by qualified optometrists, if covered under standards.

Diagnostic services: X-ray, laboratory, and other tests.

Continued...

Blood for transfusions after the first three pints per year.
X-ray, radium, and radioactive-isotope therapy.
Surgical dressings, casts, splints, or other supplies.
Artificial replacements for all or part of an internal body organ.
Braces for limbs, back, or neck.
Ambulance services, if required.
Outpatient mental illness under special rules covered to the extent of 50%.

Non-Covered Expenses:

Items and services not medically or reasonably necessary.
Items or services for which you are not legally obligated to pay (a very vague statement that requires a call to Medicare services).
Routine physical exams, eye exams, glasses, hearing aids, and dental care.
Acupuncture
Prescription drugs and medicines taken at home.
Routine foot care and orthopedic shoes.
Cosmetic surgery, except after an accident.
Private nurses.
Extra charges for inpatient personal comfort items, i.e., telephone and television.
Services provided outside the U.S. (some exceptions exist for care in Canadian facilities if closer to your home).

Source: Medicare and You - U.S. Department of Health and Human Services, 2003

Long-Term Care

Long-Term Care refers to the medical and/or personal care services required by a person with a chronic disability or illness. The Health Insurance Association of America estimated in 2002 that at least 40% of the population over age 65 would spend some time in a nursing home. Half of those requiring care are released within six months ¹. Of those remaining, the average stay is 2½ years ². The average cost is about \$50,000 a year ¹. By the year 2030, the average annual cost of a nursing home stay is expected to increase to more than \$130,000 assuming 4% inflation. Of course, younger people also may require nursing home care due to accidents, cancer, strokes, etc. Over 7 million men and women required Long-Term Care services in 2002 ².

Who pays the cost of Long-Term Care - The patient or family pays for nursing home care costs not paid by Medicare or Medicaid. Only about 12% of the nursing home costs are paid by Medicare ², which offers limited coverage for the first 100 days in a skilled care facility, and no coverage for the intermediate or custodial care that the vast majority of nursing home residents require. In 1999, Medicaid paid 59% of the total nursing home bills². To qualify for Medicaid the patient must be impoverished under the state's definition. In most states the patient must not have income greater than the cost of the nursing home facility. Other states have "income caps" to limit eligibility for Medicaid, for example, "income cannot exceed three times the Federal Social Security Income benefit level for that year." For the most part, the people who need this care, or their families, pay the bills.

The Need - Some people may require daily medical attention, while others may simply need help with the basic activities of daily living (ADL's) such as bathing, dressing, taking medication, eating, using the toilet, getting in or out of bed, or walking. A typical nursing home stay commonly falls into two categories: short-term stays (1-3 months), which involves skilled nursing care, and typically follows a hospital confinement; and lengthy stays that comprise mostly maintenance and custodial care and are often two years or longer.

Level of Care

1. Skilled care - Refers to a patient who needs daily nursing care, physical therapy, etc., provided or supervised by professional nurses and/or therapists under a physician's orders.
2. Intermediate care - Patient requires only intermittent or occasional rehabilitative care or nursing.
3. Custodial care - Patient needs help with activities of daily living (ADL's). Does not require a registered nurse or a therapist, but need for such care is based on physician's orders.

Long-Term Care Insurance - Policy may be issued on an individual or a group basis. The Health Insurance Association of America has prepared a list of "typical coverage" offered by leading sellers of Long-Term Care insurance.* Long-Term Care insurance may provide for:

1. Services covered: skilled, intermediate and custodial care, home health care, adult day care (often covered in the policy)
2. Daily benefit: \$50-\$300/day
3. Benefit eligibility: ADL's or cognitive impairment
4. Benefit period: two years, three years, five years or unlimited
5. Alzheimer coverage: Yes
6. Deductible period: 0-20 days; or 90-100 days
7. Renewability: Guaranteed
8. Pre-existing Condition: six months
9. Inflation consideration: Yes (often 5% annual increase in daily benefit amount)
10. Age limits for purchasing: 18-99
11. Waiver of premium: Yes
12. Free look: 30 days

*Note: Of course, the more benefits included in the policy, the larger the premium. Since every policy may be different, the terms, conditions, and limitations of the policy must be carefully reviewed before making a purchase.

Sources: ¹ Health Insurance Association of America, Guide to Long-Term Care, 2002.

² Department of Health and Human Services, National Nursing Home Survey 1999.