PERSONAL FINANCIAL PLAN

for

Allen & Betty Able

Prepared By

Pete Planner
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PERSONAL STATISTICS	**10/3/02**

Allen & Betty Able
1234 Fifth St.
Corvallis, OR 97330
555-123-4567

Family member	**Age**	**Social Sec #**
Allen Able	56	222-11-4444
Betty M. Able	54	999-88-7777
Andy	15	222-33-4444
Bonnie	18	333-44-5555

Employment

Allen	**Betty**
Walton Industries	KMart
General Manager	Supervisor
222 32nd St	
Philomath, OR 97370	Albany, OR 97321
234-5678	

This report has been prepared based on information provided by you and is solely for informational purposes This is not an offer to sell any security, nor is it a solicitation of an offer to buy any security. The income and estate tax portions of this report are estimates and illustrations only. You should consult with qualified tax and legal advisors for specific details and projections relating to your income tax and estate planning questions.

INTRODUCTION

Your Personal Financial Plan has been prepared using techniques and concepts proven over years of experience from the disciplines of banking, investments, insurance, economics and finance. The analysis is based on the information you provided in your confidential questionnaire.

As you review the Personal Financial Plan, you will find that some areas of your financial goals are in better shape than others. The areas that particularly need attention will be identified in the report that follows.

The objective of this analysis is to assist you in making proper plans and quality decisions that will help you achieve your financial objectives.

Decisions you make about your financial future can be enhanced by an understanding of your personal situation as described in this report, and through careful review and discussion.

After you have reviewed this financial plan and noted areas that need attention, we will assist you in evaluating the various options available for addressing areas of need or opportunities for use of your financial resources.

OBJECTIVES

Retirement @ 65

Your personal financial plan was prepared with concern for your specific goals and objectives. As you review this report you will determine if your goals are obtainable or whether adjustments should be considered.

RETIREMENT OBJECTIVES:

	Age	Monthly expenses in today's dollars*	Inflation rate	Inflation adjusted expenses*	
Your financial plan is based on the following income requirements.	65	$5,695	3.58%	$7,540	*G1a, C2*
	70	$5,024	3.59%	$7,524	
	84	$6,014	3.00%	$13,768	

** Includes basic personal expenses, itemized deductions, insurance, mortgage and debts, savings and investment deposits.*

SURVIVOR OBJECTIVES:

In the event of your premature death, you indicated that your heirs would need the following amounts of monthly income:*

	Allen	Betty	
Initial income amount needed	$4,056	$3,941	*F4,F6*

**Amount of expenses will vary. Refer to Survivor projection for details. Includes basic personal expenses, insurance premiums, itemized deductions and loan payments.*

EDUCATION FUNDING:

Your financial analysis includes consideration of the cost of educating your children. Education costs now represent one of the most substantial expenses for a family. Unless careful planning and preparation is performed, these costs could seriously affect your ability to accumulate funds for your retirement.

Name	Cost / year	Inflated cost at 3.90%	*A17*
Andy	10,000	$51,340	
Bonnie	10,000	45,773	
	Total	**$97,114**	

OTHER

Projections used in the reports are based on a life expectancy age for Allen of 84.
The life expectancy age for Betty is assumed to be 92.

You have indicated additional financial goals including:

	Year	Amount	Inflation rate	
Retirement trip	2007	$15,000	6.00%	*A17*
Sail boat	2010	$20,000	4.00%	

PERSONAL FINANCIAL PLAN SUMMARY

Retirement @ 65

There are several areas of your financial affairs that can be compared to the goals you have set and to their probable achievement. The following areas will give you a brief overview of the progress you have made toward your goals or alert you to areas that may need attention.

RETIREMENT:

	Income needed and available	
Annual basic living expenses needed adjusted for inflation *	$90,477	
Total amount of spendable income needed through life expectancy	$4,072,078	
Total income expected from Social Security, pensions, etc.	($1,693,307)	
Additional income requirements to be satisfied by savings, investments	$2,378,772	*C2*
Projected value of working assets at retirement age 65	$853,667	*C3*

Your working assets will last only until you reach age 94.

**Includes basic living expenses, debt payments, insurance premiums and itemized deductions.*

SURVIVOR (Insurance):

Person to be insured	Allen	Betty	
Insurance needed if death occurs now	$321,453	$10,635	*F3,F5*
Maximum insurance needed if death occurs in the future	$348,485	$23,193	
Present Insurance Coverage	$160,000	$95,000	

DISABILITY:

In the event of long term disability, funds will be required to pay for living expenses, debts and insurance premiums.

Person disabled	Allen	Betty	
Monthly income needed	$4,987	$5,025	*F8*
Monthly income available (long term)	6,277	5,300	
Percent available - vs - needed	125.88%	105.49%	

INCOME TAXES:

Your estimated gross income this year	$120,235	*D1*
Your estimated taxable income this year	$86,170	
Total income and social security taxes	$33,809	
Marginal tax rate (highest Federal & State tax rate)	32.99%	

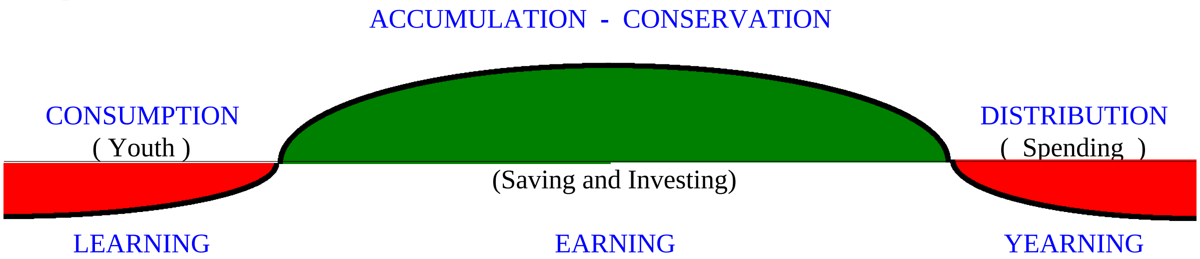
ESTATE COSTS:

First death estimated estate expenses and debts now	$70,966	*E2*
Second death taxes & expenses after 10 years (adjusted for estate growth.)	$120,932	*E5*
Estate settlement costs as percent of future estate values (assuming second death in 10 years)	13.28%	

FINANCIAL LIFE CYCLE

Every person during his or her life goes through a similar economic life cycle. Your success in the final phase of the cycle is determined by your preparation and planning in the earlier phases.

The phases can be described as:



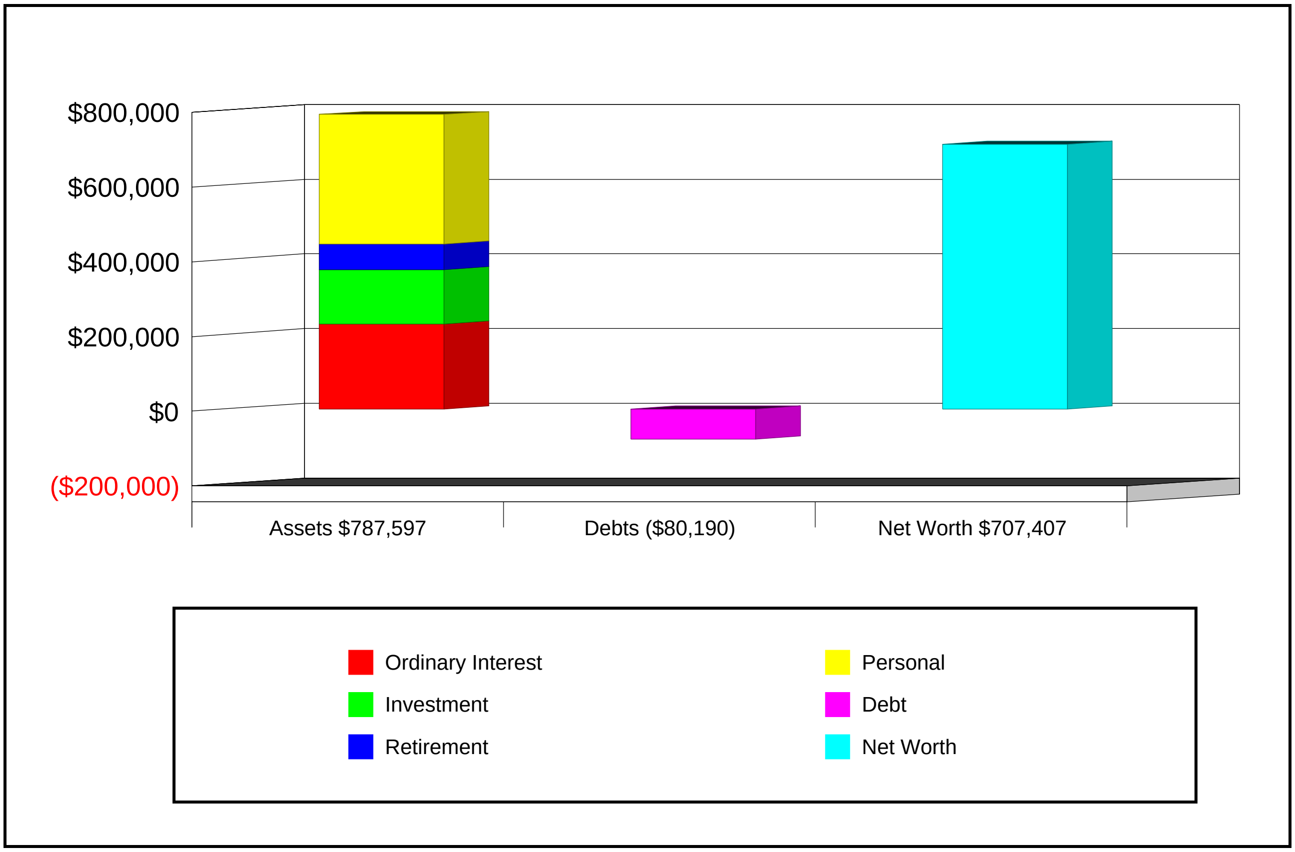
During the early years when you are a "consumer", depending on your parents for support and learning skills needed for the future, you have the opportunity to prepare yourself for the earning years. Successful preparation in the form of education and development of social skills and earning capability can be greatly responsible for the level of success in the "Earning" phase.

Interestingly enough, the amount of wages or income received in the second or "Earning" phase is not the factor that determines the results of the last phase - "Spending" or "Yearning". The key in this phase is how well a person has managed his/her income.

A person with low to medium income who regularly saves and prudently invests part of each paycheck can easily achieve a more successful financial result than high income earners who fail to set aside part of their wealth for the time when they can no longer work for a living.

NET WORTH

Retirement @ 65



The Net Worth graph illustrates the amount of your assets, including savings, investments, retirement accounts, and personal assets, less liabilities such as mortgages, loans, credit card balances, etc.

Assets:		**$787,597**
Ordinary interest accounts	$227,593	
Investment accounts	144,851	
Retirement accounts	69,054	
Personal assets	346,100	
Less Debts		**($80,190)**
Net Worth		**$707,407**

Your objective should be to measure your net worth on a regular schedule in order to assure that you are improving your financial strength.

Normal retirement at age 65

NET WORTH STATEMENT

Retirement @ 65

ASSETS	Allen	Betty	Joint /CP	Trust/Oth.	Total
ORDINARY INTEREST ACCOUNTS:					
Checking accounts			$2,200		$2,200
Savings accounts		3,500			3,500
Money Market Accounts			20,125		20,125
Certificate of Deposit			20,000		20,000
Gov't bonds, T Bills, funds		12,250			12,250
Bonds, Corp. bond funds	15,543				15,543
Muni bonds, funds			25,000		25,000
Annuities	30,000				30,000
Insurance Cash Value and Dividends	5,975				5,975
Mortgages, Notes			93,000		93,000
Total	$51,518	$15,750	$160,325		$227,593
EQUITY (investment) ACCOUNTS:					
Stocks	$15,000		$28,489		$43,489
Mutual Funds	22,377	11,475	12,146		45,998
Real Estate, REIT			2,800		2,800
Limited partnerships			28,000		28,000
Other ventures/businesses			19,565		19,565
Collectables			5,000		5,000
Total	$37,377	$11,475	$95,999		$144,851
RETIREMENT ACCOUNTS:					
401(k) accounts		$27,300			27,300
Company plans	32,000				32,000
Roth IRA accounts	9,754				9,754
Total	$41,754	$27,300			$69,054
PERSONAL USE ASSETS:					
Residence	$307,000				$307,000
Personal Property	15,000				15,000
Jewelry, furs		2,500			2,500
Autos	12,000		9,600		21,600
Total	$334,000	$2,500	$9,600		$346,100
Total Assets	$464,648	$57,025	$265,924		$787,597

LIABILITIES	Allen	Betty	Joint/CP	Trust/Oth.	Total
Residence mtg			($72,000)		($72,000)
Auto loans			(4,300)		(4,300)
Credit cards			(3,890)		(3,890)
Total liabilities			($80,190)		($80,190)

NET WORTH	**$464,648**	**$57,025**	**$185,734**		**$707,407**

ASSET DETAIL
(Sorted by Main Group)

Retirement @ 65

Name	Account Value	Monthly additions	Int/Div rate	Appr. rate	Owner	Group Main	Group Sub	Class	Type	Ret
Allens PS	32,000	150	5.50		Ind. 1	Cash	Save	Gr	Retire	Y
BofA checking	2,200				Joint	Cash	Chk	Res	Taxable	Y
Home Fed Savings	3,500		5.00		Ind. 2	Cash	Save	Inc	Taxable	Y
MFS Money Market	20,125		4.75		Joint	Cash	MM	Inc	Taxable	Y
Walton Ind.	15,000		2.20	6.00	Ind. 1	Liquid	Stk	Gr	Equity	N
Allens Roth IRA	9,754	167	7.50		Ind. 1	Liquid	Mf-Stk	Gr	Roth	N
Bettys 401k	27,300	330	8.20		Ind. 2	Liquid	Mf-Stk	Gr	Retire	Y
Corvallis CU	20,000		5.12		Joint	Liquid	CD	Inc	Taxable	Y
Dryfus MidCap Index	12,146	75	0.75	4.00	Joint	Liquid	Mf-Stk	AgGr	Equity	Y
K Mart bond	10,000		8.23		Ind. 1	Liquid	Bond	Inc	Taxable	Y
Intel	1,049			9.50	Joint	Liquid	Stk	AgGr	Equity	Y
IBM common	27,440		1.00	8.20	Joint	Liquid	Stk	Gr	Equity	Y
New World Life Ins	30,000		7.25		Ind. 1	Liquid	Ann	Gr	TaxDef	Y
Oregon '02 5.7%	25,000		5.70		Joint	Liquid	Muni	Inc	TaxFree	Y
T Rowe Price RE	11,475	66	4.20	2.00	Ind. 2	Liquid	Mf-RE	Gr	Equity	Y
TBills	12,250		5.17		Ind. 2	Liquid	Govt	Inc	Taxable	N
Templeton Dev Mkt	11,550			8.50	Ind. 1	Liquid	Mf-Int	Gr	Equity	Y
Vangard Balanced	10,827	120	3.22	6.00	Ind. 1	Liquid	Mf-Bal	Inc/Gr	Equity	Y
Vanguard Windsor fund	5,543		4.50	2.00	Ind. 1	Liquid	Mf-Bnd	Inc/Gr	Equity	Y
Realty Partners	2,800		2.00		Joint	NonLiq	RE	Gr	Equity	Y
Coast Property note	93,000		8.25		Joint	NonLiq	NoteMtg	Inc	Taxable	Y
ABC Partners	28,000		4.00	2.00	Joint	NonLiq	LP-EqL	Gr	Other	Y
Gold coins	5,000			3.00	Joint	Other	Coll	Gr	Other	N
Venture Inc.	19,565			7.80	Joint	Other	OthBus	AgGr	Other	Y

PERSONAL PROPERTY

Description	Value	Owner	Appreciation rate
Mazda 626	$9,600	JT	-5.00
Ford Pickup	12,000	CL	-8.00
Jewelry	2,500	SP	
Furniture & etc.	15,000	CL	
Corvallis home	307,000	CL	

LIABILITIES

Retirement @ 65

Description	Owed to	Balance	Monthly payment	Interest rate
Corvallis home	BofA	72,000	940	8.37
Mazda loan	Corvallis CU	4,300	205	7.45
Provident		2,250	200	12.99
Wells Fargo	Wells Fargo	1,640	100	13.75
	Total	80,190	1,445	

ASSET SUMMARY

Retirement @ 65

To help you visualize your financial position the following analysis provides three different views of your working assets (excluding residence and other personal property.)

This view looks at your assets by the way they are treated for income taxes (the retirement projection uses this grouping for projecting future values.)

Assets by TYPE:	Account value	Percent of total	Weighted average* rate of return
Taxable	$161,075	36.98%	7.16%
Tax Deferred	30,000	6.89%	7.25%
Tax Free	25,000	5.74%	5.70%
Equities	97,829	22.46%	7.62%
Other	52,565	12.07%	6.74%
Retirement accounts	59,300	13.62%	6.74%
Roth IRA	9,754	2.24%	
	$435,523	100.00%	7.07%

This view is focused on the classification of your assets. It should be used to help you determine if your assets are positioned in concert with your own goals.

Assets by CLASS:	Savings & Investments	Retirement accounts	Percent of total
Reserves	$2,200		0.51%
Income	183,875		42.22%
Growth and income	16,370		3.76%
Growth	131,265	69,054	45.99%
Aggressive Growth	32,760		7.52%
Misc			
	$366,470	$69,054	100.00%

This view is concerned with the amount of liquid funds available. Refer to the Liquidity report for a more graphic illustration.

Assets by Main GROUP:	Savings & Investments	Retirement accounts	Percent of total
Cash & Reserves	$25,825	$32,000	13.28%
Liquid	192,280	37,054	52.66%
Non-Liquid	123,800		28.43%
Other	24,565		5.64%
	$366,470	$69,054	100.00%

Note: Assets listed include only "working" assets, not residence and personal property assets or insurance cash values.

** Weighted average rate excludes assets which were not intended to be used for retirement.*

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ASSET REPOSITIONING

Financial planning has sometimes been defined as:

**Repositioning assets and redirecting income
in order to most efficiently
accomplish financial objectives.**

Achieving financial goals involves the use of many techniques, financial concepts and tools. Perhaps one of the most important is proper use of savings, investments and retirement accounts. During your financial life you will accumulate funds from various sources including savings from your surplus income, inheritances, gifts, company contributions to retirement accounts, etc.

Since savings and investment accounts are acquired over a broad time frame, it is not unusual to find that the funds have been put into savings or investment accounts with inadequate thought to how the various accounts relate to each other, or how they fit with your own long term goals for financial success.

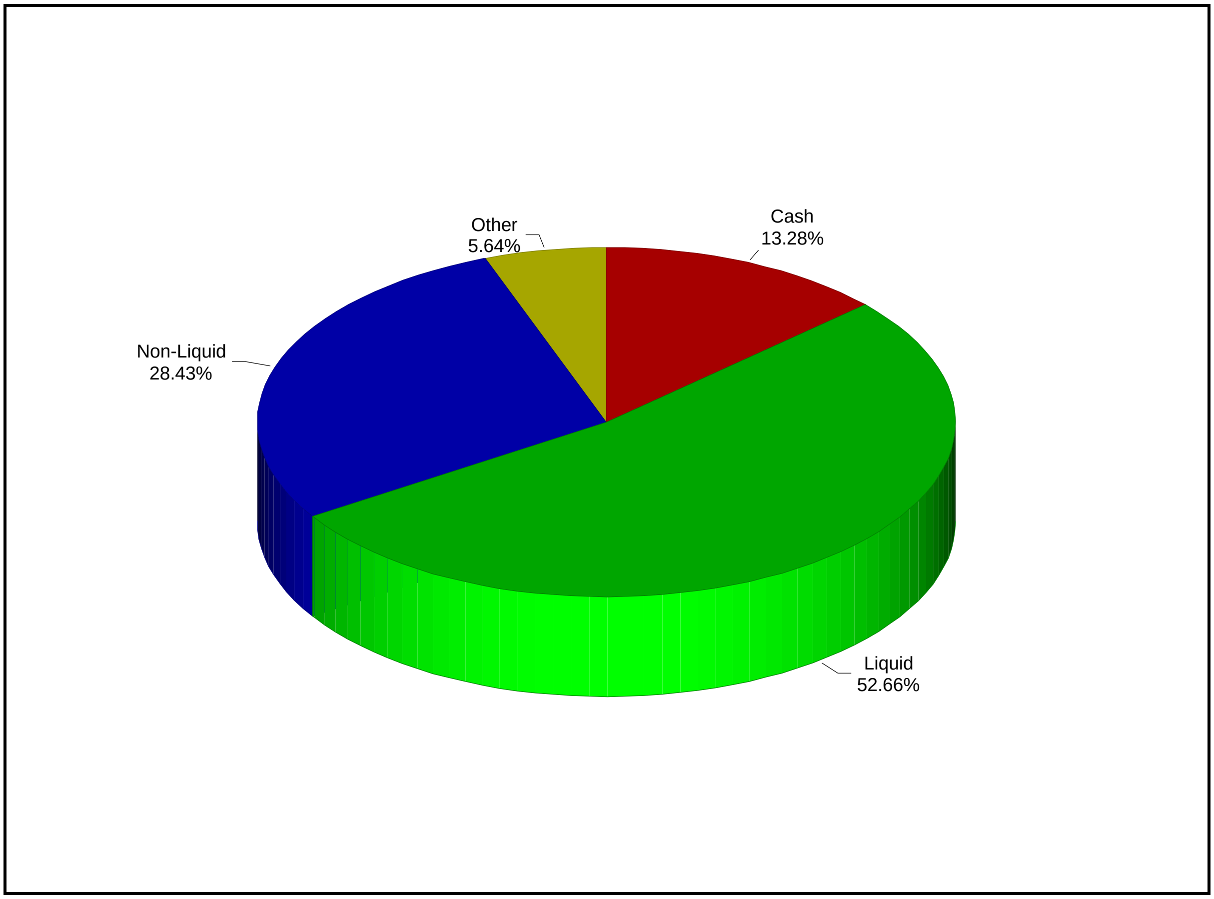
One objective of any financial plan is to determine the proper mix of asset types, classes, or groups. In order to achieve the desired results for your financial plan, it may be prudent to consider repositioning assets from an existing account to other accounts that more appropriately match your goals and comfort level.

As a result of our analysis of your financial goals and the resources available to achieve those goals, it may be determined that repositioning some of your assets would enhance your present or future success. Any recommendations relating to repositioning will take into consideration:

- Your investment time horizon (time left to accumulate or use investments.)
- Your risk tolerance level.
- Your experience and training in investment management.
- The amount of time or interest you have for investment analysis or research.
- The amount of funds available relative to the amount required to acheive your goals.

Once a portfolio mix has been designed and assets repositioned to accomplish your goals, you should plan for regular reviews of your accounts. At that time we will reevaluate your circumstances, economic and financial conditions, and determine whether any changes are in order to bring your asset mix back into proper balance.

LIQUIDITY



Liquidity measures the ability to convert your assets to cash.

If you have too much of your money in "non-liquid" investments you may someday find yourself in a position where you need to have quick cash, but are unable to convert enough of your assets quickly.

Cash & Reserves	$57,825
Liquid	$229,334
Non-Liquid	$123,800
Other	$24,565

Your liquidity ratio (cash and liquid assets divided by all working* assets) is 66%
This level of liquidity should be adequate except in severe cases.

**Excluding residence and personal assets. Includes retirement accounts.*
Normal retirement at age 65

LIQUIDITY ANALYSIS

Retirement @ 65

Liquidity is a measure of the ability to convert assets to cash. This can be important in two major instances . . .

FIRST - In times of economic disruption, cash is king. If a substantial portion of your net worth is held in assets that are not readily convertible to cash, you may find their value rapidly fluctuating. This could severely hamper your ability to move them to a "safe haven" if needed.

SECOND - In the event of loss of income due to death or disability there may be a need to reposition some of the assets to change from a growth oriented to a more income oriented asset position. If too much of your assets are positioned in non-liquid accounts, you may find it difficult or impossible to make the changes required without paying substantial penalties or taxes.

CASH and RESERVES **$57,825**

These are generally assets that can quickly be taken in cash without significant delay and without substantial loss of value. Included in this group are your checking, savings, US savings bond accounts, and money market funds.

LIQUID INVESTMENTS **$229,334**

These accounts can be converted to cash in a reasonable length of time, but they may suffer an unpredictable loss due to market fluctuations, liquidation penalties or other complications. Included are Gov't T-bills and bonds, corporate bonds, tax free municipal bonds, fixed or variable annuities, variable life insurance, certificates of deposit, mutual funds, stocks and other securities.

NON-LIQUID INVESTMENTS **$123,800**

These accounts are considered non-liquid, meaning that even if you want to sell or dispose of them, there may not be a ready buyer for the asset. This includes real estate, partnerships, mortgages and notes.

OTHER ASSETS **$24,565**

Items in this category are most likely to be non-liquid or may suffer substantial loss if they must be sold quickly. They include business interests, other ventures, tangibles.

Total of all assets*	**$435,524**
Liquid assets (Cash, Reserves and Liquid investments)	**$287,159**
Liquidity ratio (Liquid assets divided by Total Assets)	**66%**

**Excluding residence and personal assets. Includes retirement accounts.*

Normal retirement at age 65

CASH FLOW

Retirement @ 65

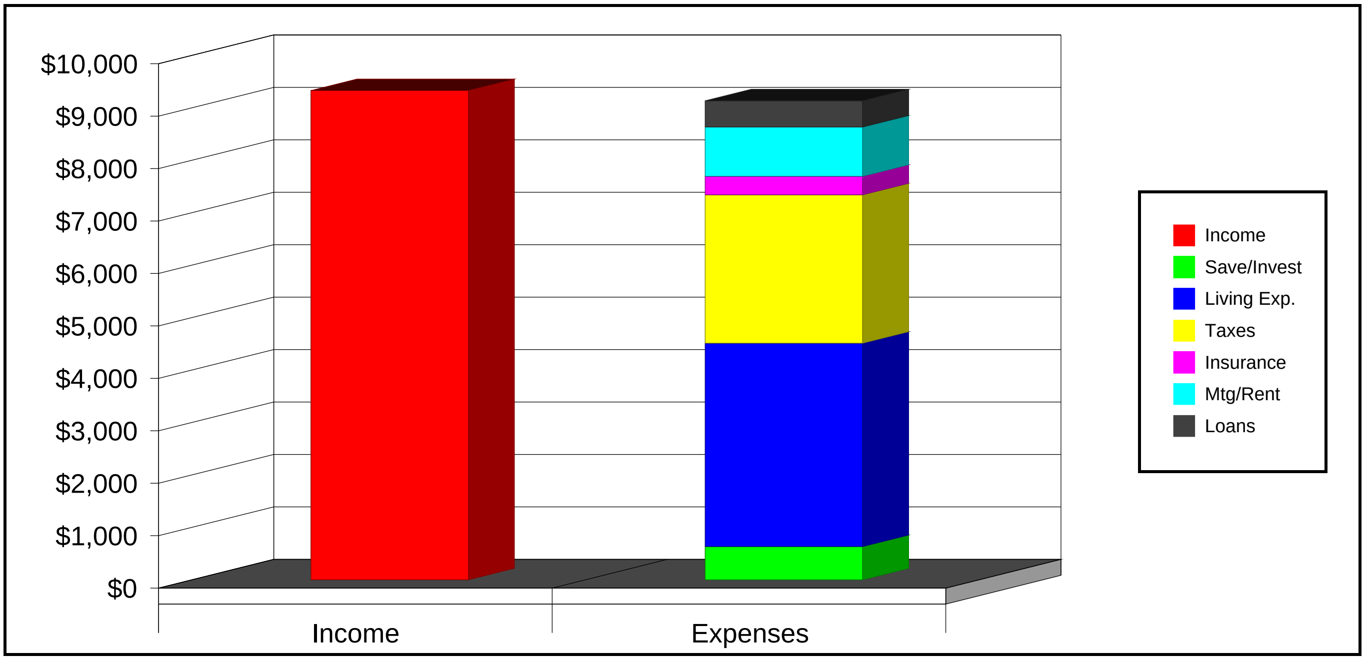
INCOME:	Monthly Amount	Percent of income
Salaries & Wages	$8,750	93.96%
Self employment income	167	1.79%
Interest and dividends	396	4.25%
Total income available	$9,313	100.00%

EXPENDITURES:	Amount	Percent of income	
Federal and State income tax	2,136	22.94%	*D1*
FICA taxes	681	7.31%	*D1*
Residence mortgage	940	10.09%	*K1*
Auto Loans	205	2.20%	*K1-4*
Credit Cards	300	3.22%	*K1-4*
Life insurance	253	2.71%	*J1*
Homeowners & other insurance	32	0.34%	*J8*
Auto insurance	33	0.36%	*J8*
Disability insurance	38	0.40%	*D1*
Saving and Investment additions	428	4.60%	*C5*
Retirement account additions (IRA, 401k, TSA, etc.)	200	2.15%	*C5*
Charitable contributions	63	0.67%	
Misc. itemized deductions	350	3.76%	
Property & other taxes	183	1.97%	
Food and household incidentals	525	5.64%	
Utilities, telephone	245	2.63%	
Auto operating and maintenance	447	4.80%	
Clothing and personal items	50	0.54%	
Property improvements and upkeep	257	2.76%	
Domestic help, babysitting	150	1.61%	
Allens hobbies	125	1.34%	
Entertainment, vacations	342	3.67%	
Allowance & kids entertainment	150	1.61%	
Cell phone	112	1.20%	
Boat upkeep	25	0.27%	
Books, papers and subscriptions	25	0.27%	
Home furnishings	83	0.89%	
Gifts, birthdays	317	3.40%	
Misc.	433	4.65%	
Total spending and savings	$9,127	98.01%	
Cash flow surplus (Income less Spending)	**$186**		

Normal retirement at age 65

CASH FLOW

Retirement @ 65



The graph above shows the relationship of your expenditures to your available income. The expenditures group includes your personal expenses as well as taxes, insurance premiums, debt and mortgage payments, savings and investments deposits.

Monthly income available		**$9,313**
Less:	Savings and Investments	(628)
	Living Expenses	(3,881)
	Taxes	(2,817)
	Insurance	(355)
	Mortgage	(940)
	Loan payments	(505)
Total spending		**($9,127)**
Spendable income surplus		**$186**

The information you provided for this analysis indicates that your income is greater than your scheduled expenses.

You might consider using your surplus income for additional savings or investments.

You should regularly review your cash flow to determine if there are changes required in your spending habits.

Normal retirement at age 65

INCOME MANAGEMENT

Retirement @ 65

The 10/20/70 Income Management Plan explained below will help you establish a system for current income management and for accumulation of capital for future financial independance.

$9,313	Gross income available per month.
(2,817)	Less Income Tax and FICA
(63)	Less charitable contributions.
$6,433	Amount left for the 10/20/70 plan.

D1

DISTRIBUTION OF FUNDS FOR 10/20/70 PROGRAM

10 %	$643	-- PUT and KEEP - this amount is for investment for creation of future capital.
20 %	$1,287	-- PUT and TAKE - this amount is for cash reserves or for reducing debt. Keep these funds in a money market or savings account.
70 %	$4,503	-- SPEND - this is your living expense fund used for regular monthly bills, food, etc. These funds should be deposited to a checking account where they can be used as needed, but with careful control of expenditures and good records for tracking use of the funds.

The effectiveness of this plan can be enhanced by using automatic checking deposit and withdrawal programs where possible.

Check at your place of employment to see if you can have your paycheck automatically deposited to your checking account.

See if your bank will automatically transfer the 20% PUT and TAKE amount into a savings or money market account.

Consider investment programs like mutual funds or annuities which have automatic bank-draft plans for the 10% investment program each month.

This plan and the percents indicated above are general guidelines and may need to be adjusted fit your particular situation.

FINANCIAL GOALS

Retirement @ 65

It is important to plan ahead for financial goals like purchasing a home, a business opportunity or other special needs. If you indicated any special goals, the following table shows the amount of money needed for those items.

					Funding methods at 8.00% after tax	
Description:	Year needed	Inflation rate %	Amount needed	Inflated amount needed	Lump sum deposit	Monthly deposit
Retirement trip	2007	6.00%	$15,000	$22,554	$13,160	$200
Sail boat	2010	4.00%	20,000	$29,605	$13,713	$161

In order to acheive a future financial goal, such as a major purchase or investment, you should plan to have funds available at the right time. Two methods are illustrated - prefunding with a lump sum of money dedicated to the future goal, or prefunded with an accumulation account where funds are deposited each month.

Lump Sum:
Using this method, a calculation is done to determine what amount of money would need to be set aside now at an after-tax rate of return that would grow to the required amount at the time the funds are needed. The initial lump sum deposit would be held in a separate account and then used to pay for the expense.

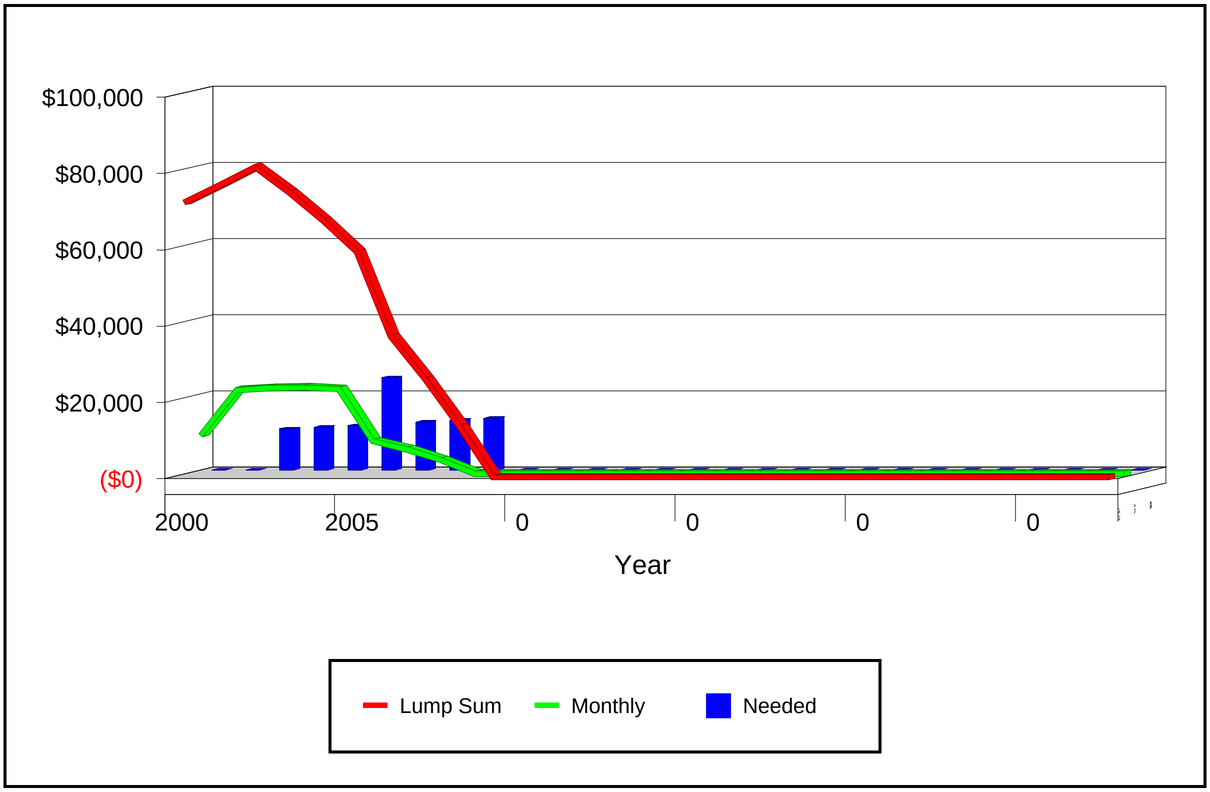
Monthly deposits:
If a lump sum amount is not available to set aside for the future expense, you might consider using a separate account where monthly deposits are contributed to accumulate the funds required. The amount shown above as "Monthly Deposit" would be anticipated to grow at the after-tax rate shown, shown, and when needed would be used to pay for the goal specified.

The above funding amounts and rates are used for illustration only and do not represent any particular investment program. Results are not guaranteed.

Normal retirement at age 65

EDUCATION FUNDING

Retirement @ 65



The "Needed" bars indicate the annual expenditures for the years when each child is in school. The "monthly" line indicates the cumulative account value of monthly deposits to the education fund. The "Lump Sum" line represents the initial deposit of a single lump sum to an education fund and the projected growth of the account.

Funding education costs with a lump sum investment now:

Lump sum needed today to fund future costs	$72,434
Funds now available for college expenses.	6,500
Additional lump sum needed now	**$65,934**

Monthly funding with level payments through the last year of college:

Total level monthly payments to fund costs	$864
Payments needed considering $6,500 available now	$786
Additional needed with $6,500 and $145 current deposits	**$641**

Normal retirement at age 65

EDUCATION FUNDING

Retirement @ 65

The following schedules illustrate the education funds needed, using an after tax rate of return or a 529 education funding account. The options include separate accounts for each child, pre-funding with level monthly deposits through the last year, or a lump sum deposit.

	Annual Costs		Monthly deposit	Pre-Funded projection	
	Costs	Parents	Amount required	Lump Sum	Monthly*
	inflated at	share at	using separate	account	$864
Year	3.90%	100%	accounts	6.00%	6.00%
2000			$1,384	$72,434	$10,649
2001			1,384	76,780	21,938
2002	10,795	10,795	1,384	81,387	22,461
2003	11,216	11,216	1,384	74,827	22,568
2004	11,654	11,654	1,384	67,428	22,219
2005	24,216	24,216	1,384	59,120	8,532
2006	12,580	12,580	511	36,998	6,358
2007	13,071	13,071	511	25,883	3,534
2008	13,581	13,581	511	13,581	
Totals	$97,114	$97,114			

Funding education costs with a lump sum investment now:

Lump sum needed today to fund future costs	$72,434
Funds now available for college expenses.	6,500
Additional lump sum needed now	**$65,934**

Monthly funding with level payments through the last year of college:

Total level monthly payments to fund costs	$864
Payments needed considering $6,500 available now	$786
Additional needed with $6,500 and $145 current deposits	**$641**

** A negative amount in this column indicates some loans will be required in the years indicated.*

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Normal retirement at age 65

EDUCATION COSTS

Retirement @ 65

Providing educational funds can be one of life's greatest financial burdens. Fortunately, it is an expense that can be planned. The following illustration uses a rate of return of 6.00% for computing both a lump-sum and a monthly deposit funding method.

					Total Costs			
Student's		Number	Starting	Annual	Today's	Inflated	Funding amount required	
Name	Age	of years	year	costs	dollars	at 3.90%	Lump Sum	Per month
Andy	15	4	2005	$10,000	$40,000	$51,340	$35,130	$511
Bonnie	18	4	2002	10,000	40,000	45,773	37,304	873
			Total	20,000	80,000	97,114		

Lump Sum:
This is the amount of money that would need to be set aside immediately to cover all costs assuming that the funds are spent at the beginning of each year. It is assumed that interest is added each year on the unused balance.

Monthly deposits:
Instead of pre-funding the education costs with a lump sum deposit, you could elect to accumulate funds by making monthly additions to a savings or investment account. In this case a required monthly deposit is computed that would provide enough funds to cover costs through the last year of education expenses.

Method #1 - Separate accounts for each child:
The benefit of separate account funding method is that the funds may be segrated and identified for each child. The disadvantage is that this method generally will require a much larger monthly deposit in the early years and smaller deposits in the later years. For example, if there are three children starting school at different years, the deposits might look like this:

Period 1	*Period 2*	*Period 3*
Child 1 = $400 per month		
Child 2 = $350 per month		
Child 3 = $300 per month		
Total deposits per month $1,050	*$650*	*$300*

Method #2 - A single level payment amount used for all children:
If you used a single monthly amount, then the payments would be level throughout the education years. This method is generally easier for most families to afford.

Funding for all children using level payments = $625 per month

SAVING FOR COLLEGE

Recent changes in income tax regulations have provided a variety of opportunities that should make saving for your childs education expenses more palatable. In some case current education expenses can result in current tax savings, and putting aside money for future costs can be much more tax-friendly than in the past. (Note: without specific action from Congress, the improvements described below are scheduled to terminate in the year 2011.)

529 Plans:
Section 529 of the Revenue code has enabled states to establish special college savings funds where parents or grandparents can make deposits to an account to accumulate money for tuition and in some cases other expenses. The terms and benefits of each state vary, but generally include the following features:

- Tax savings - starting in 2002 the earnings on the accounts will not only be accumulated without federal income tax, but withdrawals will also be tax free. Some states will also allow tax free withdrawals, and many states will even allow you to take a tax deduction for some portion of the money deposited.
- Control - unlike other accounts sometimes used to accumulate money for the child, you, the donor, stay in control of the assets. You decide when withdrawals are taken and for what purpose. And in most cases you can even reclaim the funds, particularly if the child elects not to attend college. (There may be a penalty for "non-qualified" withdrawals.)
- Simple - once you select which state plan to use, a simple enrollment form is completed, and deposits may even be made by automatic checking account withdrawals. The account is managed by the state or an investment manager hired by the state.
- Everyone eligible - generally there are no special eligibility requirements, and the amounts you can contribute in many states are substantial (in some cases as much as $200,000.)

Other education plans:
The following items are effective with the 2001 tax act:

- Deduction of higher education expenses - with certain limitations, a deduction may be claimed in 2002 and 2003 for up to $3,000 tuition expenses, and up to $4,000 in 2004-2005.
- Education IRAs - the allowable contribution is increased from $500 to $2,000, definition of eligible expenses is expanded, the income level for phaseout of allowable contributions is increased, age limitations are eliminated, corporations may contribute to plans, and the plan is integrated with the HOPE and Lifetime Learning Credit programs.
- Employer provided assistance - the $5,250 contribution level now extends the exclusion to graduate courses and makes the exclusion for undergraduate and graduate courses permanent.
- Student Loan Interest Deduction - the availability for this benefit has been broadened and the earnings limits raised.

For more information about these plans or to compare your state 529 plan with other states, go on the internet to . . . **www.savingforcollege.com**

RISK

In every aspect of life we are faced with varying degrees of unknown outcomes. These uncertainties in life are sometimes referred to as areas of "risk". In particular, financial matters are commonly described as either "safe" or "risky" or somewhere in between the two extremes.

It is important to recognize that the term "Risk" can refer to more than simply the loss of your money. Some of the different types of risk are described below.

Loss of Principal:
If you have $10,000 invested in a stock, the stock declines in value to $5,000, and you sell the stock, then you have suffered a loss of principal. On the other hand, if you do NOT sell the stock while the value is down, and the stock recovers to $10,000 then you have not suffered a loss. Time and diversification are keys to mitigating this type of loss.

Loss of Purchasing Power:
If you own a $10,000 certificate of deposit earning 5% interest, you will receive $500 per year interest. Since the account is insured by the FDIC and the interest is guaranteed for a set time frame, this may seem like a "safe" investment. If we experience inflation at the rate of 3% per year, the purchasing power of the $500 income will be reduced after the first year to $485, and after 10 years to $372. The purchasing power of the $10,000 after 10 years will be reduced to $7,441. This loss is a permanent one with no chance for recovery unless our economy goes into a protracted deflationary cycle.

Tax Loss:
Using the same $10,000 as above, and assuming you are in the 28% tax bracket, the $500 interest would be reduced to $360 after taxes. After 10 years, the $500 interest after taxes and inflation would provide purchasing power of only $268.

Illiquidity:
If you place all or most of your financial assets into illiquid assets like real estate, mortgages or notes, small business interests or even tax deferred retirement accounts with severe early withdrawal penalties, then you may find that you no longer have control of your financial future. If your personal financial affairs take a turn for the worse due to a disability, loss of employment, death in the family or other unforseen event, and you cannot readily reposition your assets to meet your new needs, then you are exposed to the risk of not being in control of your financial well being.

Although there are other types of risk that could be considered, the above examples will illustrate that it is important to properly plan and balance your financial assets so that all possibilities are covered. As your financial plan is created we take into consideration your levels of comfort with different types of assets and with consideration for your personal situation and goals.

ASSET PYRAMID CHART

Retirement @ 65

Proper management of your assets requires an understanding of the relationship between RISK and REWARD. The pyramid below illustrates the assets by levels, with the safest at the bottom and the risk generally increasing as you near the top of the pyramid.

Retirement Accounts may hold any of the assets listed, and should be allocated in a mix that reflects your risk profile and proper diversification.

More Aggressive

Dollar Amount		Percent of Total
$24,565	Other Assets, Business Interests etc.	5.64%
$123,800	**NON - LIQUID** Partnerships Real Estate, Mortgages, Notes	28.43%
$229,334	**LIQUID INVESTMENTS** Stocks, Bonds Mutual Funds, CDs	52.66%
$57,825	**CASH and RESERVES** Checking, Savings Money Market, US Savings Bonds.	13.28%
$0	**RETIREMENT ACCOUNTS** (The retirement account assets are included in the above groups.)	0.00%
	ESTATE and FAMILY PROTECTION Life, medical and disability insurance	

More Conservative

$435,524	**TOTAL**	**100%**

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Normal retirement at age 65