HESPERIAN Wealth

Your Financial Plan

John & Julie Avery

Report generated

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Important Information

This report is intended to provide you with an analysis of your financial plan. It is based on the data and assumptions provided by you and your financial professional including but not limited to asset expected returns, volatility, and inflation assumptions. Detailed information regarding assumptions can be found on the disclosure page of this report.

The report shows comparisons of your current plan and a proposed plan. The proposed plan is a recommendation formulated by your financial professional. The report also shows comparisons of your current asset allocation and a proposed asset allocation. The proposed asset allocation is the recommendation formulated by your financial professional.

The report shows the Probability of Success of your plan using a Monte Carlo simulation calculated by running the projection 1,000 separate times. Some sequences of returns used in the Monte Carlo simulation will give you better results, and some will give you worse results. These multiple trials provide a range of possible results. RightCapital considers a trial to be "successful" if, at the end of your planning horizon, your invested assets are greater than zero. The percentage of trials that were successful is the Probability of Success of your plan, with all its underlying assumptions. Detailed disclosure regarding the calculations can be found on the disclosure page of this report.

Table of Contents

Your Dream Statement

The following is the Dream Statement we drafted together at our Kickoff Meeting:

This document is our family's personal mission statement. It lays out our vision for the future five years from now, 10 years from now, 15 to 20 years from now, in retirement, and beyond. It will guide our financial and life plans. It is a living document.

We intend to modify it over time and possibly even reimagine its contents as we move through life's changes. But in times of turbulence or struggle, we can always look back at what we hoped to achieve and refocus on what's most important to us.

NEAR TERM

By 2025, we'd like to close on our first home in the Folsom area. The home will be worth around $600,000 and have at least four bedrooms to provide enough space for Adrianna, our daughter, and our family. It needs to be within 30 minutes of both our places of employment to cut down on commuting. Being near top-rated schools is also a must.

We want to start thinking about efficient ways to save for Adrianna's college. We want her to feel free to pursue the school of her dreams with as little financial burden as possible.

We are charitably inclined and would like to even consider increasing our giving at some point.

IN FIVE TO 10 YEARS

At some point, John will need a new car. His vehicle is old and offers poor gas mileage. We'd like our next purchases to be electric vehicles or hybrids for their lower maintenance costs and lower carbon footprint.

Around this time, we may need to help our aging parents order their financial affairs or even care for them if health issues arise.

IN 15 TO 20 YEARS

We look forward to seeing our Adrianna graduate from college and start her independent life. Wherever she lands in this world, we want the ability to visit her or invite her to visit us as frequently as possible.

As soon as Adrianna graduates, it may be time to get a new car for Julie.

IN RETIREMENT

At Julie's retirement age if not sooner, we want to upgrade to a larger or newer home to retire in, possibly in a different state. We want it to be in the country and include some acreage to raise goats or chickens on. We estimate it would be worth around $800,000 in today's dollars. And we'd want to use our accumulated equity to buy in cash. We'd prefer not to have a mortgage in retirement. We see our home as an asset to use to fund unexpected expenses or costly end-of-life care.

In retirement, we want to maintain the same quality of life as we do today. We'd love to be able to travel, especially internationally, and fund other adventures together.

We want to ensure that we'll have the funds to pay for any intensive care we'll need and that we're cared for by the loved ones of our choosing guided by our stated wishes. Julie has a poor family health history and is concerned about long-term care exhausting our savings.

If possible, we'd like the financial wherewithal at the end of our lives to bequeath assets to the causes most important to us: animal rights and protecting the environment. But we also would like to leave money behind to Adrianna or her own children to support them in life.

Financial Health Checklists

In these checklists, we summarize our assessment of every relevant area of your finances. We include notes on our findings, summary recommendations, and the prioritization we decided on together. For more details, you can read the full analysis later on in this report.

Expenses & Debt Management

AREA	STATUS	NOTES	RECOMMENDATION	PRIORITY
Budget	☒	Not actively budgeting. Simple estimates provided.	We can recommend an app to help you efficiently budget going forward. If you decide you want to find additional savings, we can prepare a "post-mortem" 12-month budget to analyze.	LOW
Retirement Budget	☑	For now, we're using a simple, ball-park estimate equivalent to 80% wage replacement.	To revisit closer to retirement	
Housing Costs	☑	~15% of gross salary Within range	Keep housing costs (mortgage/rent payment + home/renters' insurance + property taxes) ≤ 28% of gross salary To reassess after home purchase	
Living Expenses	☑	~44% of gross salary Within range	Keep living expenses ≤ 50% of gross salary and < cash inflows To reassess after home purchase	
Tax Withholding	☑	Not an issue in past years	After you increase your saving rate, we will send you information on updating your withholding allowances.	
Debt Management	☒	Student loan balance = $9,244 Current moratorium on payments extended	Leave balance to take advantage of possible forgiveness. Reassess after court challenge to the Biden Administration's proposal is resolved or payments restart.	MEDIUM

Insurance Coverages

AREA	STATUS	NOTES	RECOMMENDATION	PRIORITY
Life Insurance	☒	Group life policies inadequate to cover loss of future earnings and protect the other spouse	Purchase supplemental term life policies for each of you (~$600K for John, $1M for Julie). We will refer you to our trusted insurance consultant.	HIGH
Disability Insurance	☒	John's long-term group disability coverage is adequate. But Julie's group disability policy has very low monthly benefit caps.	Purchase small amount of supplement coverage for Julie. Our insurance consultant can assist you with this as well.	HIGH
Health Insurance	☑	Sufficient coverage High-deductible HSA option available	At next open enrollment (or qualifying life event), consider switching to a high-deductible plan to make use of an HSA account and receive contributions from Julie's employer (AKA free money). Let's compare plans at that time.	
Long-Term Care Insurance	N/A	None, but Julie has health concerns	Reassess once closer to age 55.	
Auto Insurance	☑	Sufficient coverage; limits set up for an umbrella policy down the road		
Renter's / Home Insurance	☑	Sufficient coverage	Reevaluate at time of home purchase; we can refer a trusted local independent insurance agent from our network.	
Personal Liability Insurance	N/A	None	Low risk right now; reassess once you become homeowners	

Protecting Against the Unexpected

AREA	STATUS	NOTES	RECOMMENDATION	PRIORITY
Emergency Fund	☒	Over 7 months of nondiscretionary expenses in cash and equivalents; modest excess cash	Emergency Fund = 3x to 6x monthly nondiscretionary expenses There can be an opportunity cost to holding large amounts of cash; move excess cash to taxable investment account targeting pre-retirement goals.	LOW
Disaster Plan	☒	None	We will provide resources to help you develop an escape plan, organize emergency/ evacuation kits, digitize financial documents, and prepare financial emergency kit.	MEDIUM
Title / Transfer Plan	☒	None	Before home purchase, inventory property and assets to develop title/transfer plan and determine contents coverage for future home insurance policy.	MEDIUM
Beneficiaries Worksheet	☒	Incomplete	Use the Beneficiaries Worksheet included in this report to check/select beneficiaries, contingent beneficiaries, and split percentages for all accounts or insurance contracts. Set up PODs on bank accounts and TODs on property.	HIGH
Estate Documents	☒	None	We will refer you to an estate attorney or estate planning service to prepare your will, living trust, POAs, and health care documents. Revisit after your home purchase.	MEDIUM
Credit Protection	N/A	None	After your home purchase, consider implementing a credit freeze to protect fraudulent account openings if you won't need to tap additional credit.	

Special Situations

AREA	STATUS	NOTES	RECOMMENDATION	PRIORITY
Simplifying Financial Situation	☒	Multiple accounts of the same type despite being well below FDIC limits.	Consider merging old checking accounts into newer ones and/or setting up joint accounts.	LOW
Social Security Estimate	N/A	For now, simple estimate used	Closer to retirement we will make a more detailed projection Eventually set up mySocialSecurity account and save statements when they start at age 40	
SS Filing Strategy	☑	Optimal strategy selected (file at age 70 regardless of when you actually cease employment)	Generally, you should defer filing to age 70 to maximize lifetime benefits. Additional considerations: life expectancy, personal health, financial need, auxiliary benefits, family benefits, maximum benefit amounts, etc. Revisit as you near retirement	
Roth Conversions	N/A	None recommended for the coming year	Roth accounts have specific advantages (no RMDs, no taxation on back-end, preferred for leaving inheritances, etc.). We have prepared a preliminary conversion schedule to take advantage of low-income years between planned retirement and filing for Social Security without materially increasing Medicare premiums.	
College Saving Plan	☒	None	Begin saving ~$5,100 annually in a 529 account for Adrianna to meet the estimated funding shortfall in a tax-advantaged way	HIGH

SWOT Analysis

STRENGTHS	**WEAKNESSES**
High double incomes Fully funded emergency fund Low debt Stable, rewarding careers Found life partners	Low saving rate Low accumulated savings Adrianna's college goal underfunded Underinsured (life/disability) No estate plan
OPPORTUNITIES	**THREATS**
Ability to save at a high level Ability to increase yield on cash holdings Home purchase Potential student loan forgiveness Wherewithal to purchase supplemental insurance Setting up estate plan	Inflation Recession risk An unexpected health issue An unexpected expense

Action Items—Q1 2023

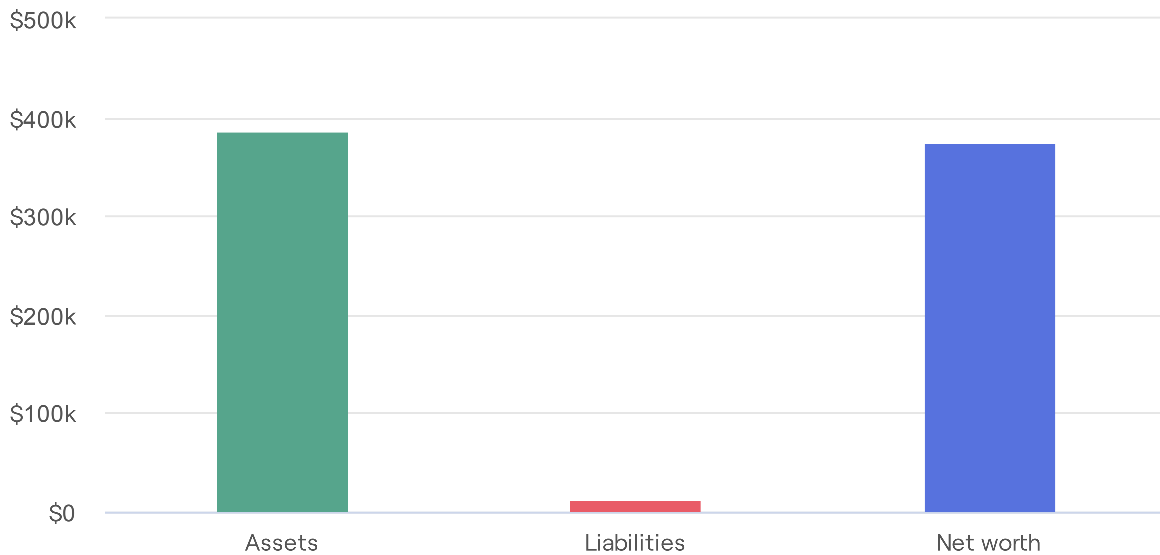
Every quarter we select one to four things to work on together. Based on the priorities we've set at the Workshops, we agreed to work on the following in the upcoming quarter:

1. Implement Saving & Spending Plan for 2023
2. We will refer you to our insurance consultant (to address life/disability insurance needs)
3. Check/select beneficiaries and set up PODs/TODs
4. Transition investment accounts to Hesperian management

Balance Sheet

Just like any well-run business, your personal balance sheet should always be in check. Your net worth is the difference between your assets and your liabilities. Assets are everything you own such as your home and investments, and liabilities are everything you owe such as the balance on your mortgage and other debt.

Your net worth is $372,548 as of 1/27/23



Assets	
Bank	$52,550
Invested assets	$313,500
Real estate assets	$0
Life insurance cash value	$0
Other assets	$18,642
Total assets	**$384,692**

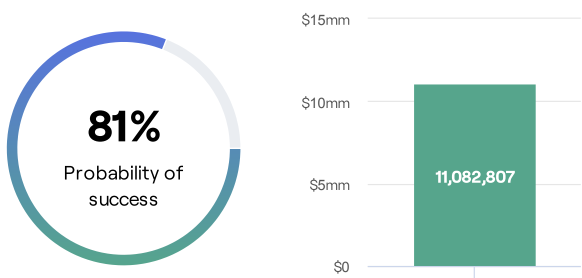
Liabilities	
Credit cards	$2,900
Mortgages	$0
Home equities	$0
Student loans	$9,244
Other debts	$0
Total liabilities	**$12,144**
Net Worth	**$372,548**

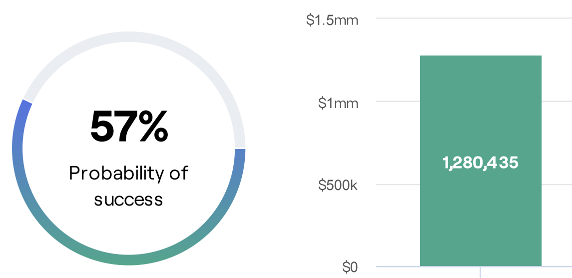
Scenario Planning

Monte Carlo Analysis

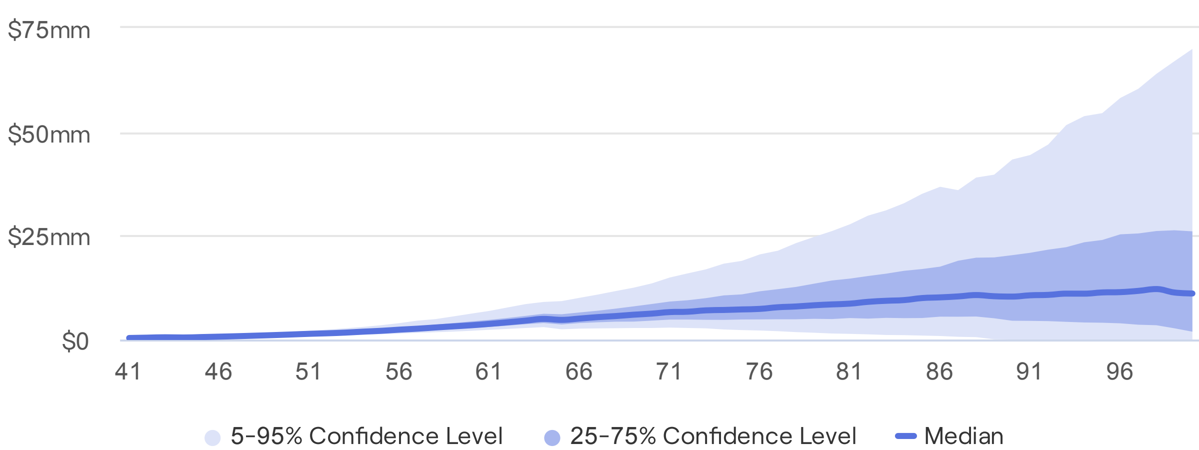
Use of a detailed retirement analysis tool is important to help determine whether you are on track for a successful retirement. Monte Carlo simulations, stress tests, and viewing specific scenarios can help you evaluate your retirement plans and see the impact of potential changes.

Proposed plan ← **Current plan**





Asset simulation results - Proposed plan



This section of the report displays the results of Monte Carlo simulations run on the current and proposed plans. The results are derived from 1000 simulations and the specified retirement cash flows. The chart of probability of success represents the overall likelihood of success in both the current and proposed plan.

IMPORTANT: The projections or other information generated by RightCapital regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results are based on return and volatility assumptions from a number of market indices shown in disclosure sections 5, 6 and 8.4. Fees and expenses are not included, and thus, are excluded, including, but not limited to, fund fees, account fees, product fees and advisor fees. Inclusion of those fees results in lower returns, which would affect the probability of achieving any particular outcome. Results may vary with each use and over time. The analysis must be reviewed in conjunction with assumptions, limitations and methodologies in the disclosure section. This report is not complete without the accompanying disclosure page.

	Proposed	Current
Financial goals		
John's retirement age	67	67
Julie's retirement age	67	67
Emergency Fund	$42,000	$42,000
Adrianna's College Goal	$27,330	$27,330
Retirement Monthly Expense	$8,250	$8,250
Savings		
John's 401(k) Before 2026	6%	6%
Julie's 401(k) Before 2026	6%	6%
John's 401(k) After 2025	Max	6%
Julie's 401(k) After 2025	Max	6%
Expenses		
Pre-retirement Living Expenses	$4,900	$4,700
Strategies		
Asset allocation	Hesperian Growth	Current allocation
Glide path	0000 Glide Path	No glide path
Social Security	Optimal strategy	Current strategy
John Avery	Age 70	Age 67
Julie Avery	Age 70	Age 67
Distribution strategy	Distribution proposal	Current strategy
Education strategy	Education proposal	Current strategy
Primary home relocations		
Buy First Home	2025	2025
Buy Home for Retirement	2046	2053
New asset purchases		
Buy New Car For John	2033	2033
Buy New Car for Julie	2040	2040

ADVISOR NOTES

- Prior to buying your first home in 2025, keep your 401(k) saving to 6% of salary to maintain your employer matches. But prioritize saving outside retirement accounts toward your house down payment goal.
- After your home purchase, we recommend beginning maximum annual retirement contributions.
- Purchasing supplemental insurance coverage (term life for both of you, disability coverage for Julie) will only slightly increase your living expenses.
- Based on your attitudes toward risk and statistical ability to withstand portfolio volatility and downside, we have determined the Hesperian Growth strategy is more appropriate than your current lower-risk allocation. Its higher expected return significantly increases your plan's ending assets.
- We have developed a personalized asset allocation path for you that increases your odds of success vs. a static allocation over time.
- Deferring filing for Social Security benefits until age 70 maximizes your lifetime benefits in the majority of longevity outcomes.
- Our distribution proposal involves strategic Roth conversions in low tax years in retirement. We expect these conversions to increase your plan's ending assets with minimal impact on your odds of success by lowering lifetime taxes paid.
- Our education proposal involves saving a small amount each month toward Adrianna's college expenses in a tax-advantaged way starting this year. Assuming she only receives a small amount of support in terms of grants or scholarships, she would leave a 4-year public in-state school with a manageable federal student loan balance.
- We believe you can move up your purchase of a home/land for retirement by seven years. This actually increases ending assets and increases your probability of success because it involves paying off your mortgage earlier without depleting your assets or emergency funds.

Taken together, our statistical analysis shows these actions move your probability of success from 57% to 81%, above our preferred threshold for most clients of 80%. Furthermore, excluding our conservative end-of-life health care expense assumptions, your probability of success would be closer to 100%. This should provide even greater comfort and confidence in the plan we've developed together.

Saving & Spending Plan

Saving for 2023

ACCOUNT	NOTES	JOHN	JULIE	JOINT	MONTHLY AMOUNT
John's 401(k)	Contribute at least 6% to receive employer match	X			$425
Julie's 401(k)	Contribute at least 6% to receive employer match		X		$600
529 (New)	Toward meeting college funding shortfall for Adrianna			X	$425
Taxable (New)	Saving toward home down payment			X	$3,350

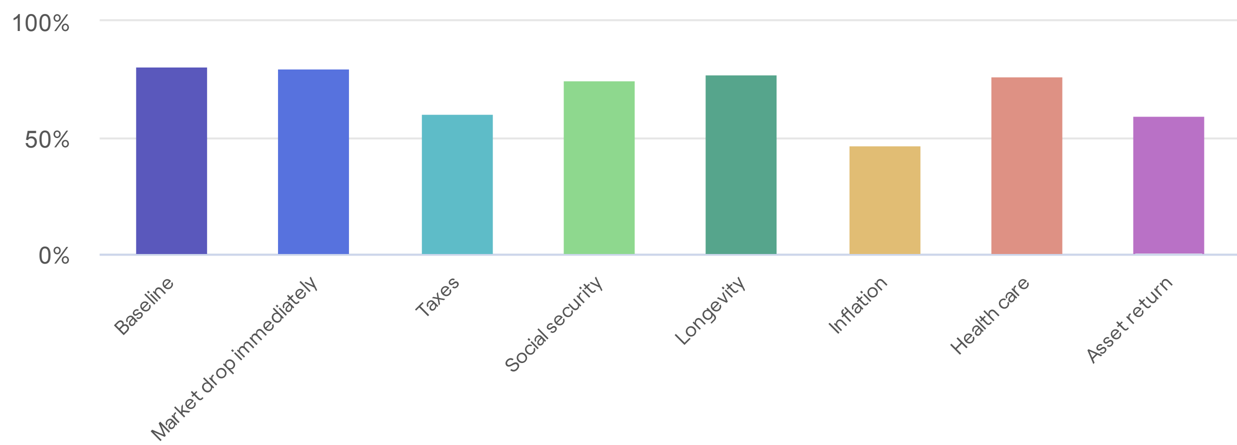
Additional Spending for 2023

EXPENSE CATEGORY	NOTES	JOHN	JULIE	JOINT	MONTHLY AMOUNT
Purchase supplemental term life and disability insurance	Estimated monthly expense; to be finalized with insurance consultant	X	X		~($200)

Stress Test

This page shows the hypothetical results of a stress test of your financial plan against some of the major risks you're exposed to including future market volatility, increases in taxation, cuts to Social Security, living longer than expected, higher long-term inflation, and higher-than-expected health care expenses. To increase your chances of success, it is important for us to both anticipate and plan for such risks.

Stress test - probability of success - Proposed Plan



Stress Test results are based on the following assumptions:

Equity markets drop immediately by	20%	Tax expense will be higher by	20%
Social Security will be reduced by	20%	You (and your spouse) will live	5 yrs. longer
Inflation will be higher by	1%	Health care cost will be higher by	20%
Asset return will be lower by	1%		

Based on these simulations, inflation is the biggest risk to your financial plan. While we cannot control the rate of inflation in our economy, we can mitigate its impacts. Within the next three years, you plan to become a homeowner with a fixed-rate mortgage. This will permanently cap a large portion of your housing expense, acting as a very effective inflation hedge. On the investment side, we are incorporating strategies in your portfolio that have actually *benefitted* historically from inflationary environments, potentially hedging inflation's impact on your net worth.

Future tax rates are not within our control.

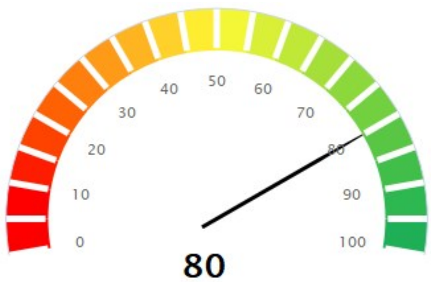
But we expect our tactical asset allocation strategy to add value over the long term and we believe it can mitigate the risk of lower-than-expected asset returns impacting your plan.

Your Willingness & Ability to Take Investment Risk

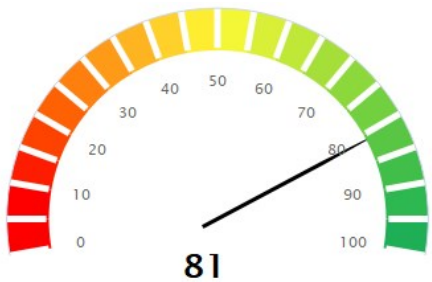
Your Willingness Score is an estimate of your willingness to accept market risk in your portfolio based on your attitudes toward risk as measured by the questionnaire we sent you and confirmed in our conversations.

Your Ability Score is an estimate of your ability to take market risk in your portfolio based on the timing and magnitude of your future cash flow goals and needs.

Scores are calibrated to represent the target allocation to stocks in a portfolio. For example, a score of 80 represents the portfolio risk of a portfolio invested 80% in US stocks and 20% in US bonds.



WILLINGNESS SCORE 80
(Average)



ABILITY SCORE 81

ADVISOR NOTES

John's Willingness Score: 90

Julie's Willingness Score: 70

When your individual Willingness scores materially differ from each other or from your Ability score, we help mediate a final decision. In your case, we mutually determined that we would use the lower of the average of your Willingness scores or your Ability score as the determining constraint.

This involves a compromise: John has agreed to accept a slightly lower long-term expected investment return and Julie has confirmed she is willing to accept a slightly higher level of volatility and downside risk than she might have originally been comfortable with. But the primary constraint should be your Ability to take risk based on your cash flow plans.

Scoring developed by Tolerisk. See disclosure for more information.

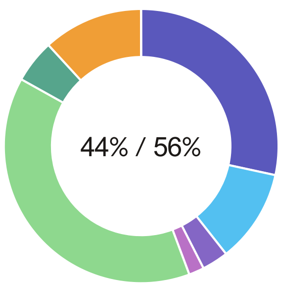
Your Target Risk Allocation

Your Target Risk Allocation for 2023 is an 80/20 stock/bond mix.

You are currently positioned too conservatively to meet your financial goals with a high probability of success. We will transition your portfolio to its target allocation (excluding tactical adjustments) in a tax-aware manner.

Current allocation

All Accounts



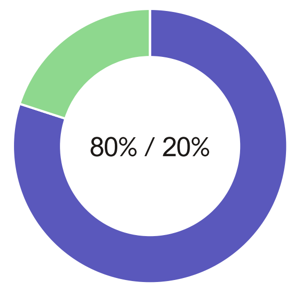
Equity / Fixed Income

Annual return: 5.6%
Standard deviation: 8%

Current	Asset class	Target
28.4%	U.S. Equities	80%
11%	International Equities	0%
3.1%	Emerging Markets	0%
1.8%	Real Estate	0%
38.8%	U.S. Bonds	20%
5.1%	International Bonds	0%
11.8%	Cash	0%
0%	Other	0%

Target allocation

Hesperian Growth



Equity / Fixed Income

Annual return: 6.9%
Standard deviation: 13.3%

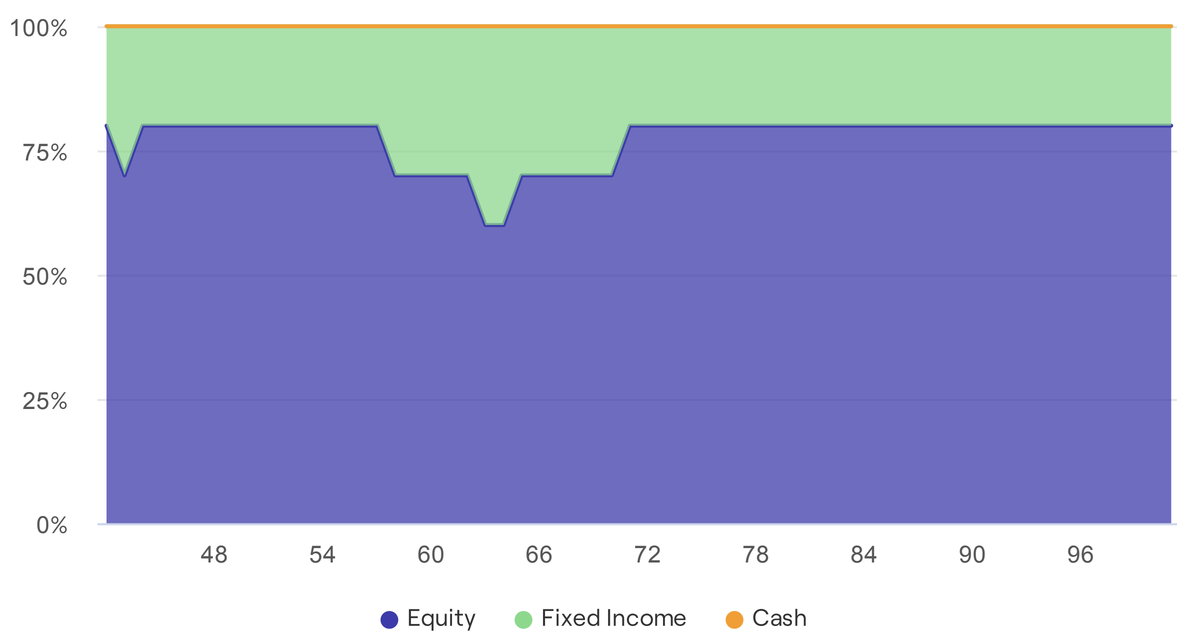
Your Personalized Target Allocation Path

Since your Ability score can change over time based on your cash-flow chronology, we also project your Target Risk Allocation over your entire investment life. At times, it will be prudent to temporarily lower the investment risk in your portfolio to reduce the chances that a sudden drop in markets impairs your ability to meet outsized near-term cash flow goals. You will see us transition your portfolio's risk level over time following this allocation path. This projection may change in the future as your goals or life circumstances change.

Asset allocation over time

Starting allocation: Hesperian Growth

Glide path: 0000 Glide Path

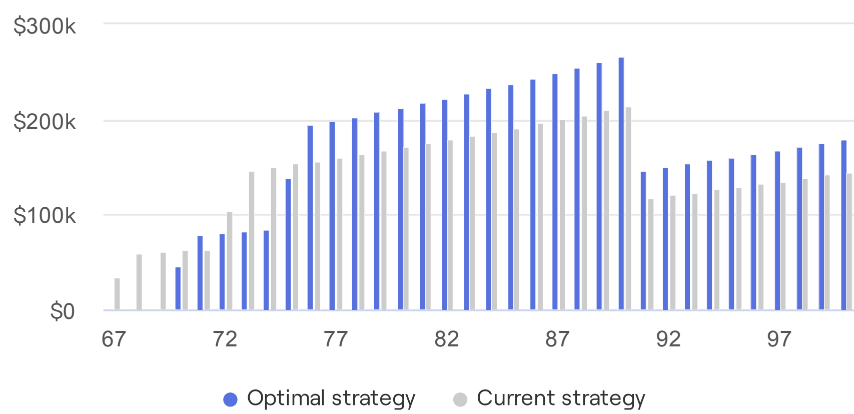


Social Security Analysis

There are as many as 700 different Social Security strategies. We test them to find the optimal one for your specific retirement needs. In the absence of health concerns or cash flow needs, we recommend waiting to file for Social Security until age 70 to maximize benefits. As the program currently stands, advantageous actuarial assumptions will most likely make deferring filing the optimal choice in your situation.

For now, we use a simple benefit estimate. As you approach retirement, we will prepare a more detailed estimate based on your actual earnings record and reevaluate your filing strategy.

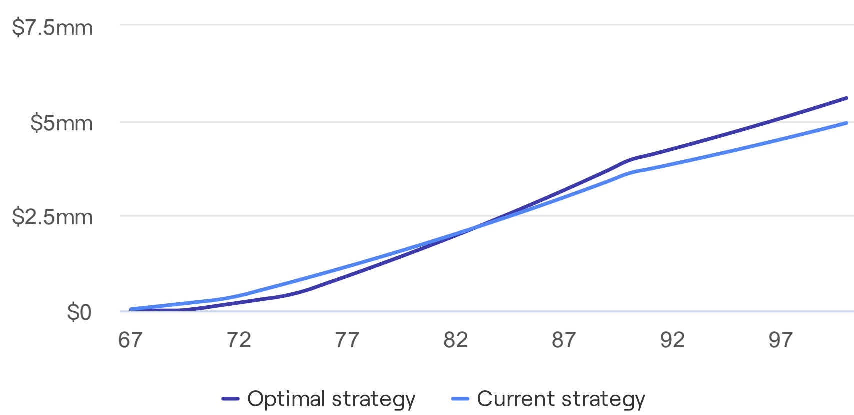
Annual cash flow comparison



$657,685 more

from the Optimal Social Security filing strategy than Current strategy

Cumulative cash flow comparison



Age 83

break-even point between the Optimal Social Security filing strategy and Current strategy

To obtain maximum Social Security benefit

1. John applies own retirement/spousal benefit at age 70.
2. Julie applies own retirement/spousal benefit at age 70.

Medicare Analysis

Until the first of you gets closer to Medicare eligibility, we assume you will make traditional Medicare coverage choices. We will revisit this once John approaches age 65 and ensure you don't miss any important deadlines that can lead to penalties or coverage gaps.

Coverage Analysis

Description	Coverage
Hospital Insurance	✔ Covered in Medicare Part A
Medical insurance	✔ Covered in Medicare Part B
Prescription drug	✔ Covered in Medicare Part D
Dental, vision and hearing	✖ Not covered
Long term Care	✖ Not covered

Proposed option

Original Medicare, Part A, B, D

Budget

Monthly Living Expenses

CATEGORY	AMOUNT	CLASSIFICATION
Auto Transport	$200	Nondiscretionary
Business	$0	Nondiscretionary
Dining Out	$100	Discretionary
Entertainment	$50	Discretionary
Gifts	$100	Discretionary
Health & Fitness	$300	Nondiscretionary
Misc	$0	Discretionary
Travel	$200	Discretionary

CATEGORY	AMOUNT	CLASSIFICATION
Bills & Utilities	$500	Nondiscretionary
Charitable Giving	$100	Discretionary
Education	$0	Discretionary
Fees & Charges	$150	Nondiscretionary
Groceries	$1,000	Nondiscretionary
Kids	$1,000	Nondiscretionary
Shopping	$1,000	Nondiscretionary
Uncategorized	$0	Discretionary

Total: $4,700

Monthly Housing & Debt Costs

CATEGORY	AMOUNT	CLASSIFICATION
Mortgage/Rent	$2,500	Nondiscretionary
Home/Renter's Insurance	$30	Nondiscretionary
Property Tax	$0	Nondiscretionary
Student Loan*	$0	Nondiscretionary

Total: $2,530

15%
of Gross Salary

*For now, assumes balance forgiven in 2023

Monthly Insurance Premiums

CATEGORY	AMOUNT	CLASSIFICATION
Life	$50	Nondiscretionary
Disability	$150	Nondiscretionary
Long-Term Care	$0	Nondiscretionary
Auto Insurance	$90	Nondiscretionary
Personal Liability	$0	Nondiscretionary

Total: $290

Total Discretionary Expenses: $550

Total Nondiscretionary Expenses: $6,970

Total Expenses: $7,520

44%
of Gross Salary

Liquidity Analysis

If a job loss or other financial hardship arises, a liquid emergency fund can help you pay bills without dipping into savings or using high interest credit or loans. We recommend holding at least 6 months of nondiscretionary expenses in reserve, with no less than half in readily accessible funds like cash and money market funds.

ACCOUNT	AMOUNT
Checking (less credit card balances)	$28,650
Saving	$21,000
TOTAL CASH	**$49,650**
Monthly Nondiscretionary Expenses	$6,970
x 6	$41,820
TARGET EMERGENCY FUND	**~$42,000**
EXCESS (UNDERFUNDED) AMOUNT	**$7,650**

ADVISOR RECOMMENDATIONS

- Move ~$7,500 excess cash to new taxable investment account to begin saving toward pre-retirement goals
- Move 3 months of emergency fund to a higher-yielding Cash Alternative strategy managed by Hesperian

Debt Management Proposal

Continue to pay off the full balance of your credit cards each month to build credit.

Your only noncurrent debt is an outstanding Federal Grad-Plus Student Loan with a balance under $10,000. The Biden Administration proposes to forgive up to $10,000 in federal loan balances ($20,000 for Pell Grant recipients). With Adjusted Gross Income under $250,000, you would be eligible. However, the proposal is currently being challenged in the courts.

Normally, we'd recommend taking advantage of the current payment moratorium to pay down principal. But with the prospect of complete payoff with free money, we recommend holding off on payments, full payoff, or refinancing. If the proposal is rejected, we will reevaluate.

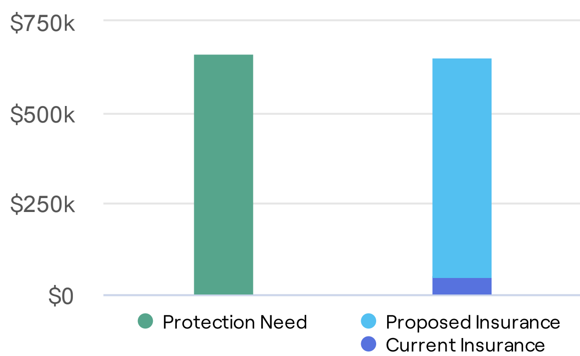
We will revisit your debt levels when you prepare for your home purchase in 2025 and help you determine what size home you can afford and select an appropriate mortgage loan type.

Life Insurance Analysis

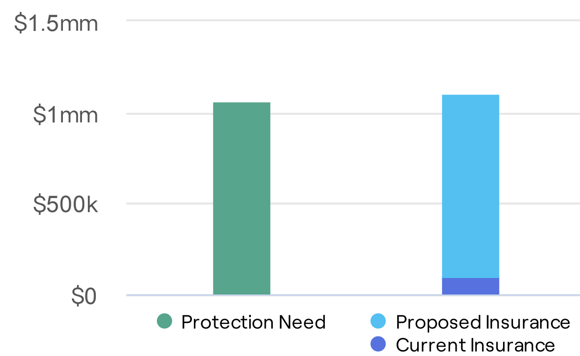
Group life policies rarely provide adequate life insurance coverage. Your life insurance death benefit should represent the present value of all your future earnings. You may be the best saver in the world, but if something unexpected were to happen before you can accumulate enough savings, we need to make sure your spouse and young daughter are protected and receive the support they depend on.

We project future cash flows for each of your survivors and generate a proposed life insurance coverage level that helps ensure the survivors have sufficient assets to reach the end of the planning horizon. We will refer you to our trusted insurance consultant to confirm these figures and make a recommendation. We will review anything they recommend to you and fit it into your plan.

John's life insurance analysis



Julie's life insurance analysis



	If John passes away next year	If Julie passes away next year
Life insurance needs	$ 660,000	$ 1,060,000
Current life insurance coverage	$ 50,000	$ 100,000
Proposed additional life insurance	$600,000	$1,000,000

ADVISOR NOTE

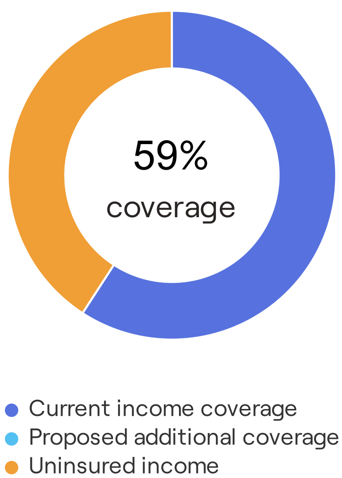
Our analysis suggests John needs a $600,000 policy to fully protect Julie and Adrianna. And it shows Julie needs an additional $1 million dollar policy to protect John and Adrianna due to her higher current salary. For a young couple such as yourselves, we'd recommend simple and cheap term life policies.

Multiple policies with different term lengths can be used to further lower the cost as a life insurance need actually declines over time toward retirement as you build up savings and eventually cease to have future earnings that need insuring.

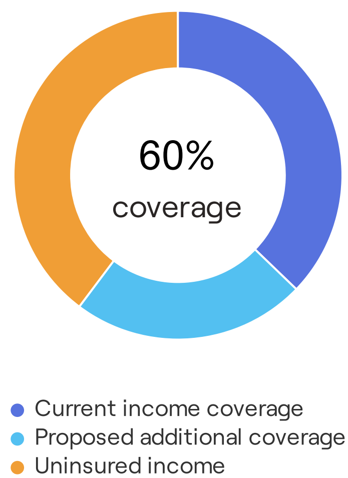
Disability Insurance Analysis

According to the Social Security Administration, the chance of becoming disabled before you retire is 1 in 4. For most people, disability will result in a lower living standard due to the loss of income. Having a disability insurance policy can replace lost earnings. We recommend disability insurance that covers at least 60% of your lost earnings. Again, we will refer you to our trusted insurance consultant to find you the right policy. We will review anything they recommend to you and fit it into your plan.

John's income coverage during disability



Julie's income coverage during disability



	If John becomes disabled tomorrow	If Julie becomes disabled tomorrow
Disability lasts	Until retirement	Until retirement
Proposed monthly coverage	$0	$3,000
Proposed benefit period	Age 65	Age 65
Proposed elimination period	180 days	180 days
Proposed inflation adjustment	0%	2%
Proposed inflation type	Compound	Compound
Proposed annual premium	$0	$1,800

ADVISOR NOTE

John's group coverage is adequate. But Julie's has very low monthly benefit caps relative to her salary. We recommend purchasing supplemental coverage for Julie up to our preferred minimum protection level of 60% and maintaining a 6-month emergency fund to match the elimination period on your policies.

Long-Term Care Insurance Analysis

Typically, it's best to wait until later in life to explore long-term care insurance. We will revisit your health and long-term care assumptions once the first of you reaches middle-age (your 50s).

Property & Casualty Insurance Analysis

Property and Casualty Insurance – Auto

Auto Insurance Coverage

	Annual premium	Deductible	Coverage limits	Other coverage
Joint Auto Insurance	$1,080	$500	$ 100,000 / $ 300,000 / $ 50,000	Collision / comprehensive

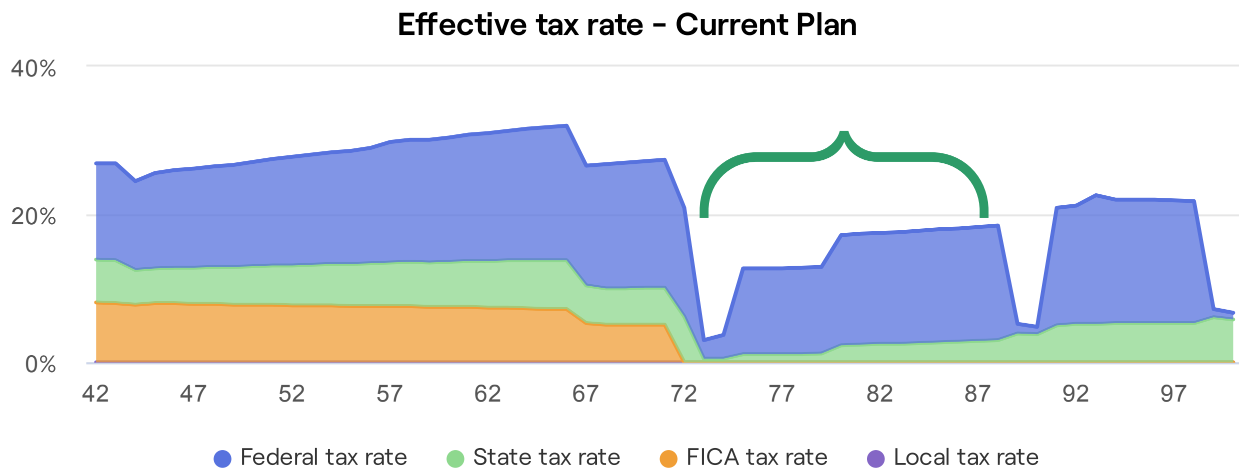
Auto insurance plan: **Coverage appropriate**

Personal Liability Insurance Analysis

The risk of personal liability claims in excess of existing coverage is low today. We will revisit after your home purchase.

Tax Rate Projection

Taxes can have a significant impact on your future and are an important factor in financial planning. Estimated taxes below are based on your inputs and your current retirement plan, using present tax rates and methodologies. This projection informs our annual tax-smart trading and tax-planning recommendations.



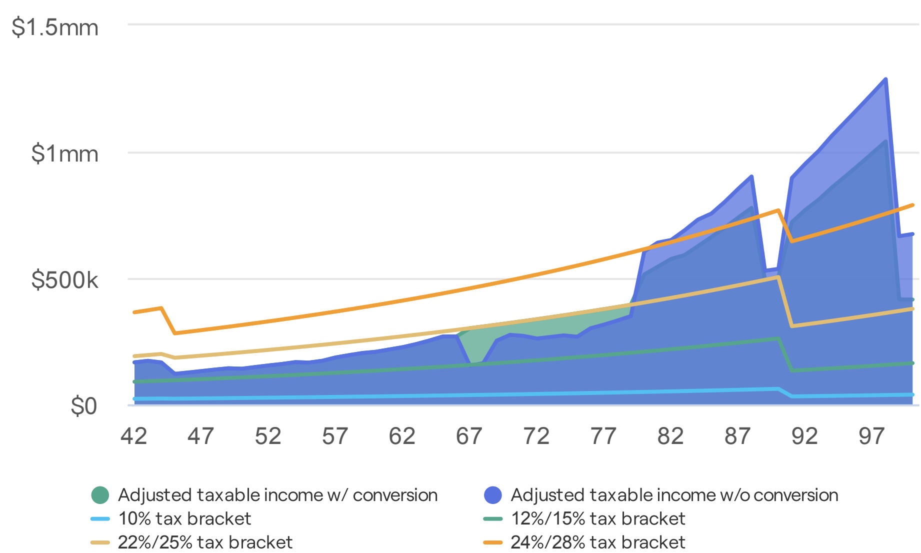
ADVISOR NOTE

You can see where your projected effective tax rate drops at certain points in retirement, particularly between Julie's actual retirement and when she eventually files for Social Security benefits. We plan to help you use these low tax years to convert some of your assets to tax-free balances. See your Distribution & Conversion Plan on the next page.

Distribution & Conversion Proposal

We plan to help you take advantage of future low-income years to convert tax-deferred investment balances to tax-free investment balances (Roth accounts). Even though tax is due in the year of the conversion, this can lower the total taxes paid during your life. Roth accounts are also not subject to Required Minimum Distributions and from a tax point of view are the preferred choice for leaving assets in an inheritance.

Ordinary income tax bracket - Proposed Plan



Proposed Strategy

$860,965 more

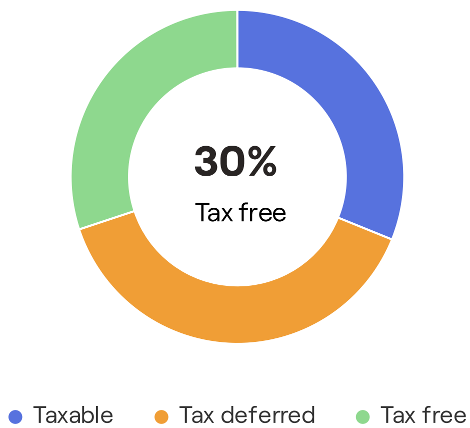
tax adjusted ending portfolio than a taxable, tax deferred, tax free withdrawal strategy w/o conversion

Proposed distribution strategy

Proposed withdrawal strategy: Standard - taxable, tax deferred, tax free
Roth IRA conversion: Fill up to the 22%/25% ordinary income tax bracket
Conversions start: 67
Conversions end: 91
Estimated terminal tax rate: 15%

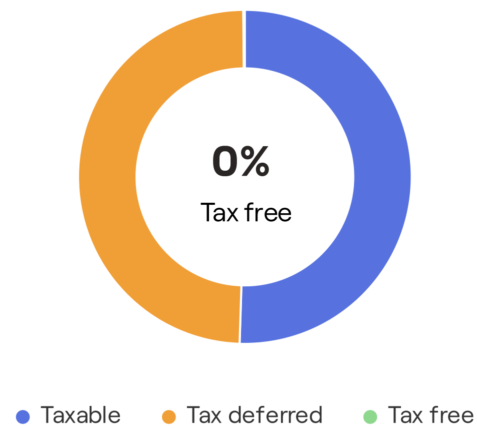
Tax adjusted ending wealth

Proposed strategy



$19,331,918 ending portfolio value

Standard withdrawal w/o conversion



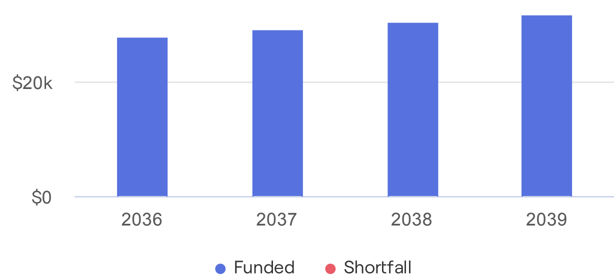
$18,470,953 ending portfolio value

Education Proposal

You desire to help Adrianna attend a 4-year in-state public college to further her career. We have prepared a saving plan to meet the underfunded portion of this goal assuming Adrianna receives a modest scholarship and borrows the maximum from federal loan programs.

We recommend you start saving into a 529 account as any gains will be tax free if used for qualified education costs. Unlike other college saving vehicles, you and your daughter maintain full flexibility to select your preferred school. And if your daughter travels down a different life path, there is recourse to redirect the funds to a different beneficiary or potentially to a different purpose without penalty.

When your daughter approaches her Junior year in high school, we will further assess planning opportunities that may maximize financial aid. At that time, we can produce a more detailed cost-of-college estimate. Then during application season, we can help you shop for schools from a return-on-investment perspective.



To achieve desired education funding level

Adrianna's College Goal	
Annual education cost	$27,330
Scholarship/other	$5,000
Student borrowing	$6,750
Annual net cost	$15,580
Current 529 balance	
529 balance	$0
Annual 529 savings	
Lump sum saving	$0
Additional annual 529 saving	$5,100
Strategy	
529 asset allocation	Hesperian Balanced
Funding sources	529 only

Retirement Spending Proposal

For now, we use a simple inflation-adjusted retirement spending estimate. As you approach retirement, we will evaluate alternative spending strategies using a more detailed retirement budget estimate.

Beneficiary Worksheet

Your beneficiary selections are incomplete. It is very important to name beneficiaries/ PODs on all accounts and review them regularly. These designations supersede even your will and ensure your assets transfer automatically to your surviving spouse or heirs outside the probate process. We recommend finalizing this worksheet as soon as possible. This is the first step toward setting up a complete estate plan.

	Account Balance	Death Benefit	Primary Beneficiary	Contingent Beneficiary
Bank				
John's Accounts				
John's Bank Account	$15,000			
John's Savings Account	$21,000			
John's College Bank Account	$1,300			
Julie's Accounts				
Julie's Checking Account	$14,000			
Julie's College Bank Account	$1,250			
Invested Assets				
John's Accounts				
John's 401(k)	$88,000			
John's Rollover IRA	$110,500			
Julie's Accounts				
Julie's 401(k)	$115,000			
Life Insurance				
John's Accounts				
John's Group Life Insurance		$50,000	Julie	Adrianna
Julie's Accounts				
Julie's Group Life Insurance		$100,000	John	Adrianna

Estate Planning

Next, we will refer you to an estate attorney or an estate planning service so you can prepare your estate plan documents.

- For your family, the most important purpose of your will is to name a guardian (or guardians) for your daughter in the event you're unable to care for her. It also allows you to express your final wishes and bequeath property.

- By placing assets in a living trust (especially your home after you purchase one in the next few years), your executor can transfer ownership of them to your spouse and heirs outside the legal probate process, which can be time consuming and expensive.

- Naming powers of attorney and health care agents can ensure the people of your choosing are the ones making decisions about you, your property, and your health in the event you become incapacitated.

Summary of Recommendations

- Maintain existing retirement contributions until after you buy your first home in 2025
- Start saving in new 529 account for Adrianna's college
- Start substantial saving in new taxable account toward down payment
- Purchase supplemental life insurance (both of you)
- Purchase supplemental disability insurance (Julie)
- Move excess cash to new taxable investment account
- Move half of emergency fund to higher-yielding Hesperian Cash Alternative strategy
- Hold off on paying down student loan debt until proposed forgiveness resolved
- Check/select beneficiaries and set up PODs/TODs
- Draw up estate plan documents
- After home purchase, begin maximizing 401(k) contributions
- Pay off mortgage early before retirement
- Defer filing for Social Security until age 70

- Opportunistically take advantage of low tax years to convert assets to tax-free accounts
- Hesperian to transition portfolio to your risk target and implement tactical allocation
- Hesperian to shift risk target over time according to custom asset allocation path
- Hesperian to implement Cash Alternative strategy in segregated taxable investment account treated as second half of emergency fund

Assumptions

General inflation — The latest month-end 30-year breakeven inflation published by the Federal Reserve

Medical/Education Inflation — 2x general inflation

Long-term real estate appreciation — 1% over general inflation

Wage increases — 3% annually unless otherwise specified by the client or a higher or lower estimate is justified by the client's industry of employment or wage history

We use basic Social Security estimates using a client's current salary until within 10 years of retirement, at which time we prepare a more detailed estimate using a client's actual earnings record.

We assume standard vehicles depreciate at a 13% annual rate.

Bank accounts are assumed to earn our long-term cash return unless specified by the client.

We assume the national average cost by school type for long-term goals, otherwise we prepare a detailed cost-of-attendance estimate.

Mortgage rates on future property purchases — Current national average published by the Federal Reserve

Future property tax and home property insurance estimates — Sourced from Zillow in client's zip code (or zip code they intend to move to)

Retirement expense assumptions are set so that retirement living expenses (excluding mortgage debt and additional taxes due to voluntary distributions) is equivalent to 80% of today's gross wages adjusted for inflation.

We assume individuals incur the national average cost for assisted living in their last two years of life unless a higher or lower estimate is agreed upon with the client based on their health expectations or family history.

Long-term US equity return — Our proprietary forecast for the first 10 years; the return premium of the S&P 500 Index over inflation since 1965 + our current general inflation assumption for the next 40 years

Long-term US bond return — Research Affiliates' forecast for the first 10 years; the return premium over inflation of the Bloomberg US Aggregate Bond Index since 1965 (and Ibbotson's Year Book intermediate-term Treasury return data before its inception) + our current general inflation assumption for the next 40 years

Long-term cash return = Research Affiliates' forecast for the first 10 years; the return premium of T-Bills over inflation since 1965 (source: Federal Reserve, Ibbotson's Year Book) + our current general inflation assumption for the next 40 years

We assume our tactical investment strategy offsets our investment management fee over the long term but does not add any value.

We assume 5% portfolio turnover and 85% of dividends are qualified.

We use our general inflation assumption in our Social Security optimization calculus.

We assume the cost of purchasing real estate is 0.1%, and the cost of selling real estate is 6%.

We assume a client's expenses decline by 15% after the death of one spouse.

In developing a distribution and conversion plan, we assume a client's heirs' tax rate will be 15%.

We assume the TCJA tax law changes sunset in 2025.

Hesperian Disclosure

Hesperian Wealth ("HW") is a registered investment advisor offering advisory services in the State of California and in other jurisdictions where exempted. Registration does not imply a certain level of skill or training.

This report is a sample financial plan provided to showcase the advice we provide through our financial planning services. It involves a hypothetical case and does not represent an actual client we have served nor the recommendations we might make to any recipient of this sample report. This communication is for informational purposes only and is not intended as tax, accounting, or legal advice, as an offer or solicitation of an offer to buy or sell, or as an endorsement of any company, security, fund, or other securities or non-securities offering. This communication should not be relied upon as the sole factor in an investment-making decision.

Past performance is no indication of future results. Investment in securities involves significant risk and has the potential for partial or complete loss of funds invested. It should not be assumed that any recommendations made will be profitable or equal the performance noted in this publication.

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RightCapital Disclosure

1. **No Warranties.** RightCapital makes no warranties, expressed or implied, as to accuracy, completeness, or results obtained from any information on www.rightcapital.com (the "Platform"). The Platform uses simplified assumptions derived and/or obtained from historical data that are used to create assumptions about potential investment returns.

2. **Advice.** RIGHTCAPITAL DOES NOT PROVIDE LEGAL, TAX, ACCOUNTING, INVESTMENT OR FINANCIAL ADVICE. RIGHTCAPITAL DOES NOT PROVIDE RECOMMENDATIONS FOR ANY PRODUCTS OR SECURITIES. Your financial professional may not provide tax or legal advice. The appropriate professionals should be consulted on all legal and accounting matters prior to or in conjunction with implementation of any strategy. Use prospectus for any discussions about securities.

3. **Data** provided by you or your financial professional for your assets, liabilities, goals, accounts, and other assumptions are key inputs for the calculations at RightCapital. The information should be reviewed periodically and updated whenever there is a change in information or circumstances.

4. **Monte Carlo Simulation methodology.** RightCapital generated Monte Carlo simulations calculating the results of your plan by running the projection 1000 times. Some sequences of returns will give you better results, and some will give you worse results. These multiple trials provide a range of possible results. RightCapital considers a trial to be "successful" if at the end of the planning horizon your invested assets are greater than zero. The percentage of trials that were successful is the Probability of Success of your plan, with all its underlying assumptions.

5. **Asset classes used in Monte Carlo simulation** RightCapital uses only a few asset classes. The default return and volatility assumptions of the asset classes are estimated based on the historical return data of indices, which serve as proxies for their respective asset classes. They are not returns of actual investments. The historical return data used to derive returns for all asset classes are:

   > U.S. Large Growth, U.S Large Value and Other: S&P 500 Total Return Index - 12/1971 - 12/2021
   > U.S. Mid Cap: Russell Midcap total return index - 12/1995 — 12/2021
   > Small Cap: Russell 2000 total return index - 12/1980 — 12/2021
   > International Equities: EAFE Total return (USD return) - 12/1971 — 12/2021
   > Emerging Markets Equity: MSCI Emerging market index (USD return) - 12/1987 — 12/2021
   > Real Estate: MSCI US REIT Index - 12/2009 - 12/2021
   > U.S. Government: Treasury bonds - 12/1999 — 12/2021
   > Municipal: Bloomberg Barclays Muni Bond Index - 12/1999 — 12/2021
   > U.S. Corporate and International Bonds: Bloomberg Barclays US Aggregate Bond Index - 12/1999 — 12/2021
   > High Yield: ICE BofA US High Yield Index - 12/1999 — 12/2021
   > Cash: 3 Month Treasury returns - 12/1999 — 12/2021

   Note: The S&P500 Total Return Index is made up of both large cap growth and large cap value stocks. This index return and volatility data is used for both large cap growth and large cap value asset classes in the RightCapital system as it is an appropriate benchmark for both. RightCapital uses the S&P500 total return index as the best proxy for any unclassified assets labeled as 'Other'

6. **Return and volatility assumptions used in Monte Carlo simulations**

Asset Class	Total Return	Volatility
Large Growth	7.52%	16.1%
Large Value	7.52%	16.1%
Mid Cap	7.52%	16.1%
Small Cap	7.52%	21.9%
International Equities	7.52%	18.5%
Emerging Markets	7.52%	27.1%

Asset Class	Total Return	Volatility
Real Estate	7.49%	16.3%
Government	4.49%	5.1%
Municipal	4.1%	3.95%
Corporate	4.55%	5.1%
High Yield	5.29%	5.1%
International Bonds	3.76%	5.1%

Asset Class	Total Return	Volatility
Cash	2.66%	1.9%
Other	5%	16.1%

7. **Tax and Inflation assumptions used in Monte Carlo simulations** Starting federal and state standard deductions, exemptions and the tax brackets used in projections are as of 2022. The following inflation assumptions are used in the projection: General inflation 2.26%; Education inflation 4.52%; Tax inflation 2.26%; Social Security inflation 2.26%; Health inflation: 4.52%

8. **Assumption and calculation limitations of Monte Carlo Simulations**

   8.1 **Your resources and goals may be different from the estimates that you provided:** The report is intended to help you in making decisions on your financial future based, in part, on information that you have provided and reviewed including, but not limited to, your age, income, assets, liabilities, anticipated expenses and retirement age. Some of this information may change in unanticipated ways in the future and those changes may make this RightCapital projection less useful.

   8.2 **Inherent limitations in RightCapital financial model results:** Investment outcomes in the real world are the results of a near infinite set of variables, few of which can be accurately anticipated. Any financial model, such as RightCapital, can only consider a small subset of the factors that may affect investment outcomes and the ability to accurately anticipate those few factors is limited. For these reasons, investors should understand that the calculations made in this report are hypothetical, do not reflect actual investment results, and are not guarantees of future results.

   8.3 **Results may vary with each use and over time:** The results presented in this report are not predictions of actual results. Actual results may vary to a material degree due to external factors beyond the scope and control of this report. As investment returns, inflation, taxes, and other economic conditions vary from the assumptions, your actual results will vary from those presented in RightCapital. Small changes in these inputs and assumptions may have a significant impact on the results.

8.4 **RightCapital considers investments in only a few Broad Investment Categories:** RightCapital utilizes U.S. Large Growth, U.S. Large Value, U.S. Mid Cap, U.S. Small Cap, Real Estate, International Equities, Emerging Markets Equity, U.S. Government, U.S. Corporate, U.S. High Yield, International Bonds and Cash. These broad investment categories are not specific securities, funds, or investment products. The assumed rates of return of these broad categories are based on the returns of indices. These indices do not include fees or operating expenses and are not available for investment. These indices are unmanaged and the returns are shown for illustrative purpose. It important to note that the broad categories that are used are not comprehensive and other investments that are not considered may have characteristics that are similar or superior to the categories that are used in RightCapital.

8.4.1 **Investment Risk:** Clients and prospective clients should be prepared to bear investment loss including loss of original principal. Clients should assess their tolerance for risk with their financial professional and update when a change in financial status occurs. Investments are subject to many risks depending on the asset class, including but not limited to: Large Growth, Large Value, Mid Cap, Small Cap, Real Estate: Either the stock market as a whole, or the value of an individual company, may go down resulting in a decrease in the value of client investments. Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer. Small cap stocks may be subject to risks such as but not limited to volatility, lack of available information and liquidity due to low trading volume. International Equities, Emerging Markets: Foreign investments may carry risks associated with investing outside the United States, such as currency fluctuation, economic or financial instability, lack of timely or reliable financial information or unfavorable political or legal developments. Those risks are increased for investments in emerging markets. Foreign securities can be more volatile than domestic (U.S.) securities. Government, Municipal, Corporate, High Yield, International Bonds: Investments in fixed income are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors. Investing in securities involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk.

8.5 **Insurance, Annuities and other related calculations.** RightCapital may include Life insurance, annuity or other products in the calculation. The return or returns of any such life insurance product, annuity or other product, as may be included in the calculation, are hypothetical and shall not be used as proxy, replacement for nor construed as actual performance of the product or to predict or project investment results of those products. Product fees, expenses and detailed features may not be completely included and modeled in the calculation. This report should not be construed as an insurance policy application or pre-qualification.

8.6 **Fees and expenses:** The portfolio returns assume that the portfolio is rebalanced on an annual basis to reflect the target allocation. No portfolio rebalancing costs are deducted from the portfolio value. Fees and expenses are not included, and thus, are excluded, including, but not limited to, fund fees, account fees, product fees and advisor fee. Inclusion of those fees results in lower returns, which would affect the probability of achieving any particular outcome.

8.7 **Taxes:** RightCapital includes limited accounting for taxes. RightCapital calculates taxes based on your input. RightCapital estimates federal, state and local taxes based on current laws with simplified deduction, exemption, and tax bracket parameters of the current year. In the projection, tax parameters are adjusted by an inflation assumption provided by you or your financial professional. Future tax laws may be significantly different than current tax laws and may result in higher or lower taxes due than what are reflected within this report. Roth IRA distribution are tax free if made 5 years after the initial contribution to the plan and you are over 59 1/2. Before investing in a 529 plan, consider whether your state offers a 529 plan that provides residents with favorable state tax benefits. RightCapital includes limited accounting for Federal Estate Tax with simplified deduction, exemption, and tax bracket parameters of the current year. RightCapital does not include any State Estate tax.

8.8 **Current Dollars and Future Dollars:** The results of RightCapital calculations are in future dollars. To help you compare dollar amounts in different years, results can also be expressed in current dollars by discounting the future dollars by the inflation rate you or your financial professional provides.

8.9 **Current allocation and target allocation:** Current allocation is the allocation based on the current portfolio holdings entered in the system as well as asset classification data from Morningstar. The target allocation is the allocation recommended by your financial professional.

8.10 **Current plan and proposed plan:** Current plan is the plan based on the information you and your financial professional input in the profile section. Proposed plan is the plan recommended by your financial professional, with the plan details as shown in the retirement analysis section.

9. **Liquidation of holdings:** this report may include liquidation of holdings, recommended by your financial professional. The transaction cost of liquidation is not included in the analysis. The liquidation will also result in the loss of future earnings.

Tolerisk Disclosure

Tolerisk is a 2-dimensional analysis of an individual or couple's risk tolerance, incorporating both the client's willingness to accept risk and their ability to take risk. It is designed to assist the advisor in providing a recommended holistic risk directive for the client.

The 1st dimension estimates each individual's willingness to accept risk by gathering answers to psychometric questions designed to identify how risk seeking or risk averse they are in comparison to a broad population. Their normative score is translated to a comparable percentage of risky assets in a portfolio asset allocation using a subjective scale based on advisor-client experience.

The 2nd dimension estimates a person or couple's ability to take risk, based on client inputs and assumptions, by computing each cash-flow's ability to sustain market fluctuations and aggregating all cash-flows. This is a similar process to the traditional method of calculating a bond's sensitivity to changes in interest rates and credit spreads.

The Tolerisk Score - which is the recommended risk directive, is expressed as a percentage of the portfolio invested in well diversified risk assets, such as a broad portfolio of equities. The balance of the portfolio is expected to be invested in low risk assets, such as a diversified fixed income portfolio. The Tolerisk Score is the lesser of the client's willingness to accept risk and their ability to take risk. The Tolerisk Score will always be equal to one of those scores at each point in time.

Probability of Running Out of Money - The probability of the client outliving their assets is computed by observing if or when the client's money runs out in each of 1000+ historical scenarios. Each historical path (including returns for stocks and bonds as described by the historical indexes below) serves to project future potential portfolio returns based on the mix of stocks/bonds commensurate with the Projected Tolerisk Score now and in the future. This analysis uses monthly historical data starting in 1926 and streaming forward. The data set concludes with the full prior year of data. The data set is looped to allow scenarios (paths) that start in more recent years to wrap around to 1926 and continue following each monthly path. This data set includes broadly diversified stocks, broadly diversified fixed income, and US inflation (CPI). The stocks data set from 1926 to 1997 is based on Ibbotson Data for Large Company Stocks. For mid-1997 through present, the stocks data set is based on S&P 500 (50%), S&P 600 Small Cap (25%), MSCI EAFE (20%), and MSCI EM indices (5%). Fixed Income data from 1926 through 1997 is Ibbotson Intermediate US Government (33%), Ibbotson Long-Term US Government (33%), and Ibbotson Long-Term Corporate (34%). For mid-1997 through present is based on the Barclays US Intermediate Government (20%), Barclays US TIPS 1-10 Year (20%), Barclays US Intermediate Corporate (30%), Barclays US 1-3 Year Government (15%), and Barclays US Long Government (15%) indices. Since the indices for stocks and fixed income do not account for any expenses (e.g. fund expense ratios, management fees, bid-offer spreads, commissions, loads, etc.) the advisor selects a cost adjustment, expressed in yield, to reduce the returns of the stocks and fixed income used in this analysis. Since costs for stocks and fixed income allocations may vary, the respective cost adjustments may differ from each other. The cost assumptions set for this assessment by the advisor are 1.00% for Stocks & 1.00% for Fixed Income. In addition, the advisor may have made further adjustments, called Capital Markets Adjustments, to reflect an expectation of future returns that differs from historical returns. For this assessment, Capital Markets Adjustments of -1.84% for Stocks & +0.30% for Fixed Income has been made. The net long term average return assumptions used in this assessment (after all adjustments) are 7.52% for Stocks & 4.55% for Fixed Income. The assumed portfolio return along each path will reflect the adjustments for costs and Capital Markets Adjustments and the weighted average between equities and fixed income commensurate with the Projected Tolerisk Score at each point in time. For inflation, the US CPI index is used from 1926 through present.

At each year in the future, the Tolerisk Score is computed to ascertain an estimate of the likely appropriate asset allocation (broad stocks / broad fixed income) at that point in the future. This evolving asset allocation is used to determine the portfolio returns across each historical path. Mortality probability by age, using the actuarial tables provided by the IRS, is also incorporated. In addition, custom life expectancy can be used to adjust these probabilities when the client's life expectancy differs materially from the average person of the same age. When 2 individuals are incorporated (spouses) in Tolerisk, 2nd-to-die probabilities are utilized. These mortality probabilities are used in conjunction with the 1000+ historical paths as outlined above to compute the probability of one or both of these individuals being alive at a time when their money is gone.

Assets Over Time displays the projected asset value of the specified percentiles across the 1000+ historical paths, including 5th, 25th, 50th, 75th, and 95th. It is based on the adjusted index data and the evolving asset allocation as defined above. It illustrates the estimated balance in nominal dollars (not inflation adjusted). Tolerisk assumes that funds are used from the taxable accounts first, then any ROTH assets, then pre-tax retirement accounts. It will automatically move assets from the pre-tax retirement accounts to the taxable account when the client is over 70 years old, based on the IRS RMD schedule. The amount estimated for taxes is removed commensurate with any pre-tax retirement account distribution.

The Projected Tolerisk Score through time is the lesser of the client's representative Willingness Score and their Ability Score currently and at each subsequent point in time. The Willingness Score is a constant and serves as a cap to the Tolerisk Score. The Ability Score will evolve as the client moves through their cash-flow chronology. Ability can go up or down depending on the client's specific cash-flow chronology. The projected Tolerisk score in the future will always be the Ability Score, subject to a cap equal to the Willingness Score.

The Sensitivity Table uses parametric shocks for each of the major inputs in Tolerisk. Each input is adjusted by the number specified and Tolerisk recomputes the Ability Score, the Tolerisk Score, and the probability of running out of money.

The Scenario Analysis estimates the probability of the client's portfolio having a value greater than zero ("success") for each potential asset allocation at various points in the future, as depicted by the age of the client, in the table. This analysis uses the same 1000+ paths referenced above. In addition to 11 static asset allocations, there is also a dynamic asset allocation, which follows the Projected Tolerisk Score as defined previously. For example, if the probability is 87% for the benchmark 60/40 allocation at age 90, this means that 87 out of every 100 scenarios tested resulted in the client still having money at age 90, if they used an asset allocation of 60% equities and 40% fixed income, based on all other assumptions included in the report. In addition to computing the probability of success, the alternate table illustrates the age of running out of money corresponding to the identified probability (percentile). For example, if the age depicted is 88 for the benchmark 70/30 allocation with a 90% confidence level (atop the column), this means that 90% of the historical paths tested, using the 70/30 asset allocation, resulted in money lasting until the age of 88 or greater, given all other assumptions included in the report. In addition, the probability of satisfying each of the client's Capital Expenditures, by year, is calculated and displayed.

Historical Benchmark returns illustrate the returns for 11 different benchmarks created from the 1000+ historical paths as previously identified. As in all other areas of Tolerisk, the actual returns each month are adjusted (downward) by the spread selected by the advisor. Compound Annual Returns are computed by rebalancing annually between equities and fixed income, in the ratio of the benchmark displayed. Standard Deviations as well as Worst Drawdowns for the displayed periods are also included, along with the historical time frame of occurrence for reference

Please read this section carefully. It contains an explanation of some of the limitations of this report.

IMPORTANT: The calculations or other information generated by Tolerisk regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Below is an outline of several specific limitations of the calculations of financial models in general and of Tolerisk specifically. The calculations contained in this report depend in part the client's personal inputs and assumptions, as well as assumptions provided and reviewed by the Advisor. These assumptions must be reconsidered on a frequent basis to ensure the results are adjusted accordingly. The smallest of changes in assumptions can have a material impact on the outcome of this analysis. Any inaccurate representation by the Advisor or Client of any facts or assumptions used in this analysis invalidates the results.

This report is not a Comprehensive Financial Plan or Report. Tolerisk does not provide Investment, Legal, Accounting, or Tax Advice. Tolerisk is intended to be operated solely by an appropriately licensed and/or registered Professional, who is appropriately credentialed to provide guidance to a Client on their Investment Risk Tolerance. This analysis in and of itself does NOT constitute investment advice or legal, accounting or tax advice.

Any financial model, such as Tolerisk, can only consider a small subset of the factors that may affect investment outcomes and the ability to accurately anticipate those few factors is limited. For these reasons, investors should understand that the calculations made in this analysis are hypothetical, do not reflect actual investment results, and are not guarantees of future results. Actual results may vary to a material degree due to external factors beyond the scope and control of this analysis. Historical data is used to produce future assumptions used in the analysis, such as rates of return. Utilizing historical data has limitations as past performance is not a guarantee or predictor of future performance.

Tolerisk has limited capability to model any individual's tax liability, and future tax laws may be significantly different from current tax laws. Any changes in tax law may affect returns for any given investment and make the calculations produced by Tolerisk less useful. Tolerisk does NOT incorporate IRS limitations on contributions to retirement accounts. Any contribution or withdrawal assumptions should reflect realistic expectations of current and future restrictions on contributions and distributions.

Tolerisk is ONLY recommending a broad asset allocation risk level, as described as a simple stocks/bonds ratio. Only an appropriately credentialed Advisor should provide Investment and/or Financial Advice as to the specific investment allocation or transactions recommended for a specific Client.

Tolerisk is designed to draw the Advisor's attention to inconsistencies in the client's information or profile. Material inconsistencies may render the Tolerisk analysis invalid. The Advisor should always consider all external factors and any observed inconsistencies before making a final recommendation on the appropriate level of Risk for a given Client. Advisors should generally pay deference to a client's feedback about their Tolerisk Score. If a Client implies or reports that they are uncomfortable with the results from Tolerisk, it is suggested that further analysis be conducted before making any final recommendations to the Client regarding their investment risk tolerance or benchmark risk level.

Results may vary with each use and over time.

Acknowledgment

After reviewing this financial plan report in detail, I confirm the data is accurate to the best of my knowledge, agree with any assumptions relied on for this analysis, and agree with the recommendations delivered by my advisor and how they have been prioritized.

Name

Signature

Date

Name

Signature

Date

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