

# A Financial Profile



**Especially Prepared For:**

**Mary and John Smith**

**By:** Russell Johnson



**\*DRAFT PRESENTATION\***  
**Important Note...**

**What this material is intended to be:**

This illustration is based on the information you provided with regard to your financial needs and objectives. It is intended to provide only broad hypothetical guidelines and information which may be helpful in making decisions about financial products and services available that may help meet those needs and objectives. You should understand that your actual experience will differ from this analysis.

**What it is not intended to be:**

It is not intended to be investment advice or a projection of future investment performance. The projections or other information generated by Profiles Professional by Zywave, Inc. (the software used to create this analysis) regarding the likelihood of various investment outcomes are hypothetical in nature. It is not a projection of future inflation rates or the state of the world or domestic economy. It is not a guarantee that your objectives will be reached.

Although this illustration may contain income tax calculations and legal concepts, it does not constitute tax or legal advice. The application of some concepts may be considered practicing law and should, therefore, be handled by an attorney, while other concepts may require the guidance of a tax or accounting advisor. As tax laws change, so may conclusions reached by this report. Therefore, you should have this report reviewed and regularly updated.

**Certain assumptions were made:**

In creating the illustration certain assumptions were made with respect to investment returns, the economy, and your situation. The reports and graphics included are directly dependent on the quality and the accuracy of the data and assumptions furnished by you. A key group of assumptions are the rates of returns for the assets illustrated in this analysis - also furnished by you. You indicated that one or more investment assets should grow at a specified rate while other assets use a weighted average rate of return based on how they are classified across broad asset classes (e.g., Large Capital Stocks). The illustrated asset growth from all assumed returns is simply an estimate - it is not a projection and not a guarantee. The value of investments will vary. They may be worth more or less than your original investment when you begin withdrawals.

In this analysis, eligible accounts were subjected to simulated rebalancing calculations on an annual basis causing the overall asset allocation of your hypothetical portfolio to avoid the typical drift toward an ever increasing stock position. Additionally, one or more reallocations were simulated in this analysis. To accomplish the calculations, withdrawals were made and new assets purchased in one or more accounts in an attempt to align the portfolio allocation with the desired allocation. When appropriate, taxes were paid on the withdrawals. The hypothetical return for any purchased asset was calculated each year using the weighted average return of asset classes which comprise the asset's allocation. Where future rates of return and transactions are assumed, this analysis does not reflect the fees and charges associated with investments, which would reduce the results.

You are encouraged to review and consider performance information, which you can request from your investment professional, for the mutual funds and other securities that may be referenced in this material when assuming any future rates of return. Keep in mind that past performance is not a guarantee of future results. **A current prospectus must be read carefully when considering any investment in securities.**

The Monte Carlo simulation that may be part of this presentation does not utilize historical data for any specific securities. Rather, it uses the historical data for broad asset classes, such as "Small Cap Stocks" and "Long Term Bonds." The results may vary with each use and over time due to the random nature in which the simulations are generated and the regular updating of historical asset class data.

**If the publication refers to dollar figures:**

"References to currency are in New Zealand Dollars"

**A disclosure statement is available upon request and free of charge.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

## General Information



**\*DRAFT PRESENTATION\***  
**Client Objectives**

*This Analysis Addresses the Following Goals*

You wish to retire at age 65

You would like your retirement funds to last until age 95

You would like to retire on an income of \$96,000 or more per annum (\$8,000 per month)

Based on these assumptions you are heading for 71% goal achievement of retiring on \$96,000 (ignoring NZ Govt Super). Whoever you have plenty of time towards the achievement of your goal and it is likely within your means.

Assumptions made:

Long term inflation rate: 2%pa

Rate of return on equity funds: 7%pa before retiring

Rate of return on equity funds: 6%pa after retiring

Net Real Return on Funds: 5%pa after tax, fees & inflation before retiring

Net Real Return on Funds: 4%pa after tax, fees & inflation after retiring

Retirement Assumptions:

1. You have accumulated an investment of \$20,000 lump sum into Select Wealth Management
2. You continue to invest an additional \$500 per month, increasing at 5%pa into your portfolio
4. You have combined KiwiSaver Funds of \$13,000, with contributions continuing until age 65

Current Results

1. On current projections your goal is 71% achieved.
2. You are not at your maximum earning years, and you are paying off a mortgage, so it is likely you will be able to contribute more towards your retirement in the future to close this gap.
3. Investing an additional \$722 per month would achieve your goal, as would an increase in expected return over the life of the investment of just 1%pa above predictions.
4. Your plan is that your money will last you in retirement until age 95, and if you survive longer, you will use the equity in your home at that time to fund the remainder of your retirement.

# Assets and Liabilities



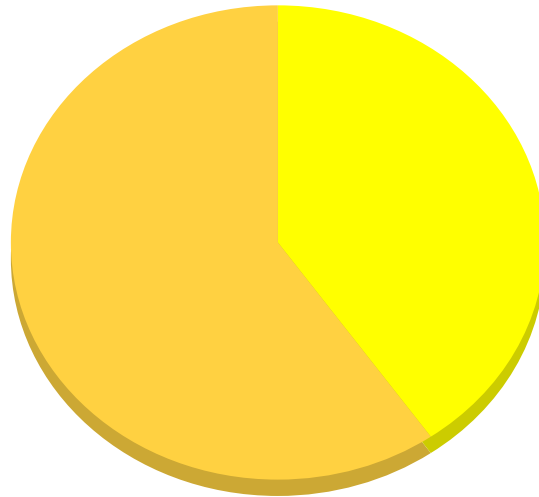


# Asset Summary

## *by Asset Type*

**\$33,000**

- Banking
- Qualified
- Annuities
- Investments
- Education
- Real Estate
- Personal
- Business



<u>Assets</u>	<u>Current Balance</u>	<u>Percent of Total Assets</u>
Qualified Retirement Accounts	\$13,000	39.4%
Investment Accounts	\$20,000	60.6%
<b>Total Assets</b>	<b>\$33,000</b>	<b>100.0%</b>

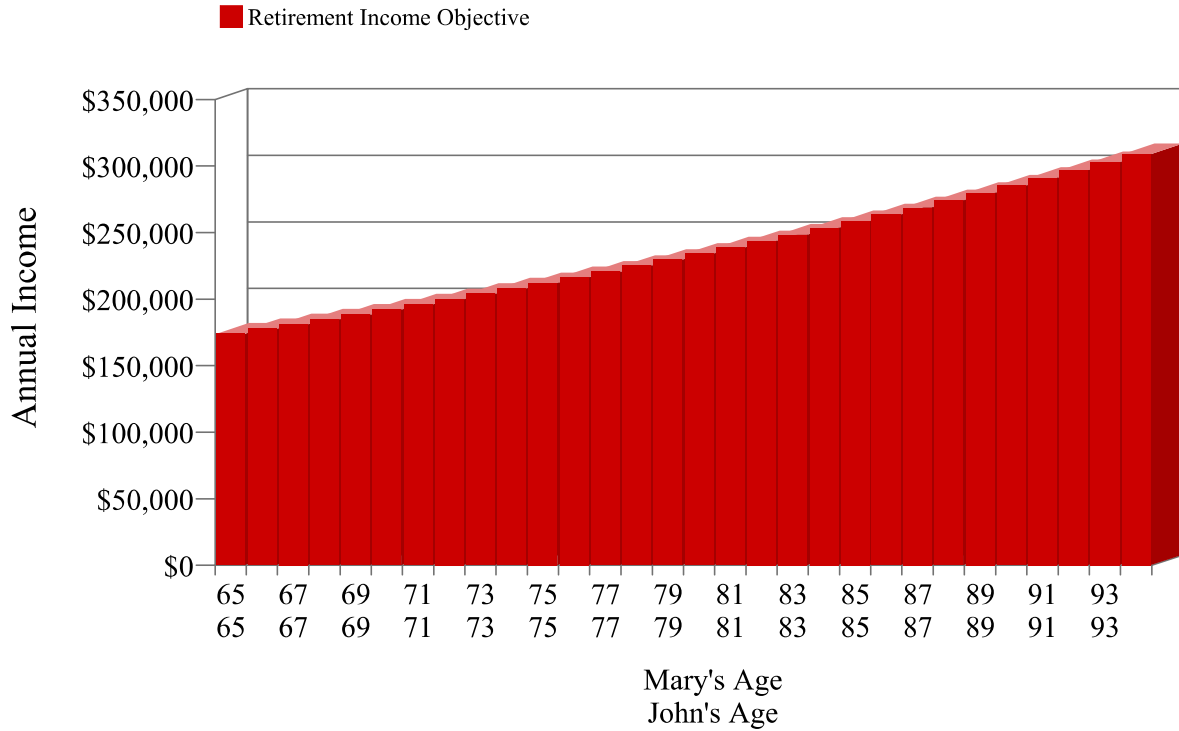
# Retirement





# Retirement Objective

*How much do you need?*



Assuming: Mary's mortality age 95, John's mortality age 95

Your retirement income objective has been illustrated above. Your objective in the first year of retirement results in the following:

<b>Total annual income objective in first year of retirement</b>	<b>\$173,891</b>
<i>Total annual income objective in today's dollars*</i>	<i>\$96,000</i>

In order to meet your income objective throughout your retirement, the amount of money needed at the beginning of retirement, in an account earning 6.00%, would be the following:

<b>Total capitalized income objective</b>	<b>\$3,154,817</b>
---	--------------------

The goal of the retirement analysis is to determine if your objective above can be met with expected income sources (e.g., Social Security) and withdrawals from assets (e.g., 401(k), IRA).

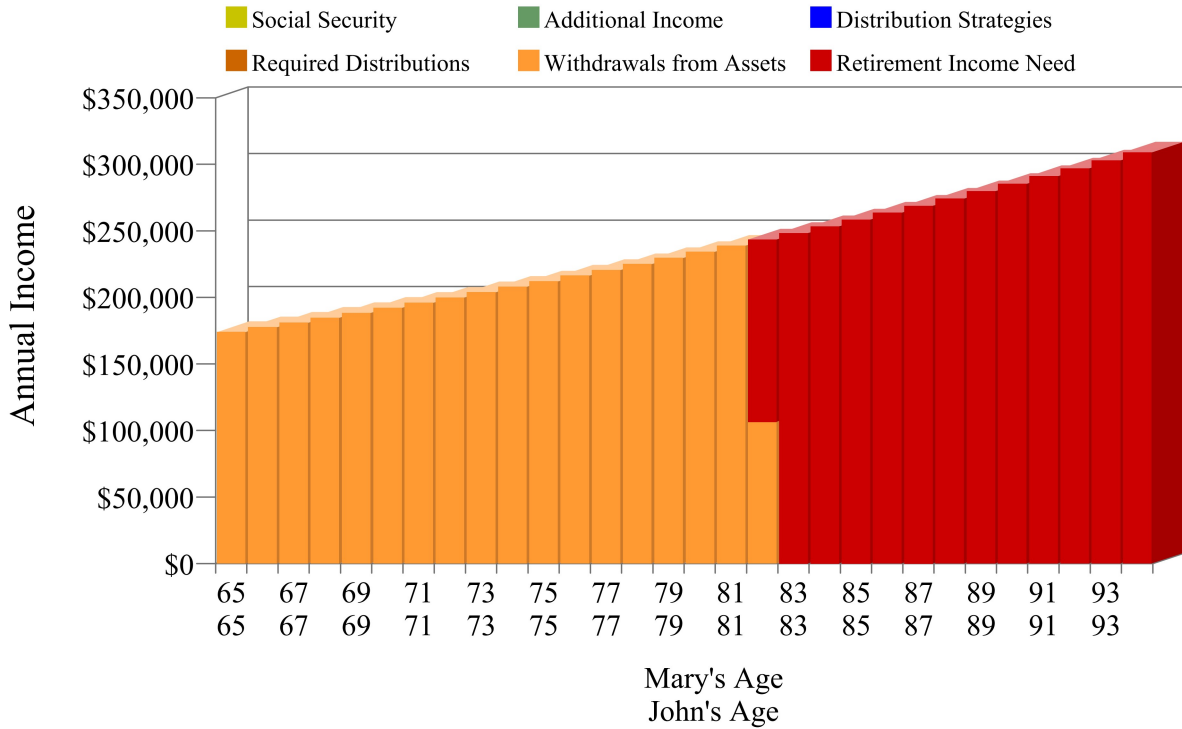
\*Calculated using a long-term inflation rate of 2.00%.





# Retirement Analysis Results

*Has the objective been met?*



Based on the analysis of your retirement needs, expected income sources and available assets, your objective will be satisfied until age 82. Out of 30 retirement years, 17 years had no unmet needs.

<i>Capitalized Value*</i>	<i>Amount</i>	<i>% of Total</i>
Capitalized income objective	\$3,154,817	100%
Capitalized applied income sources	\$0	0%
Capitalized applied assets	\$2,251,402	71%
<b>Unmet Need</b>	<b>\$903,415</b>	<b>29%</b>

Below are several options to consider which might improve your results. As an alternative, a blend of saving more, spending less or earning more may be preferable for your situation:

- **Increase average expected portfolio return from 6.20% to 7.36%**
- **Save \$722 more per month (inflating) in a hypothetical account earning 6.00%**
- **Reduce desired future monthly income need from \$14,491 to \$9,522**

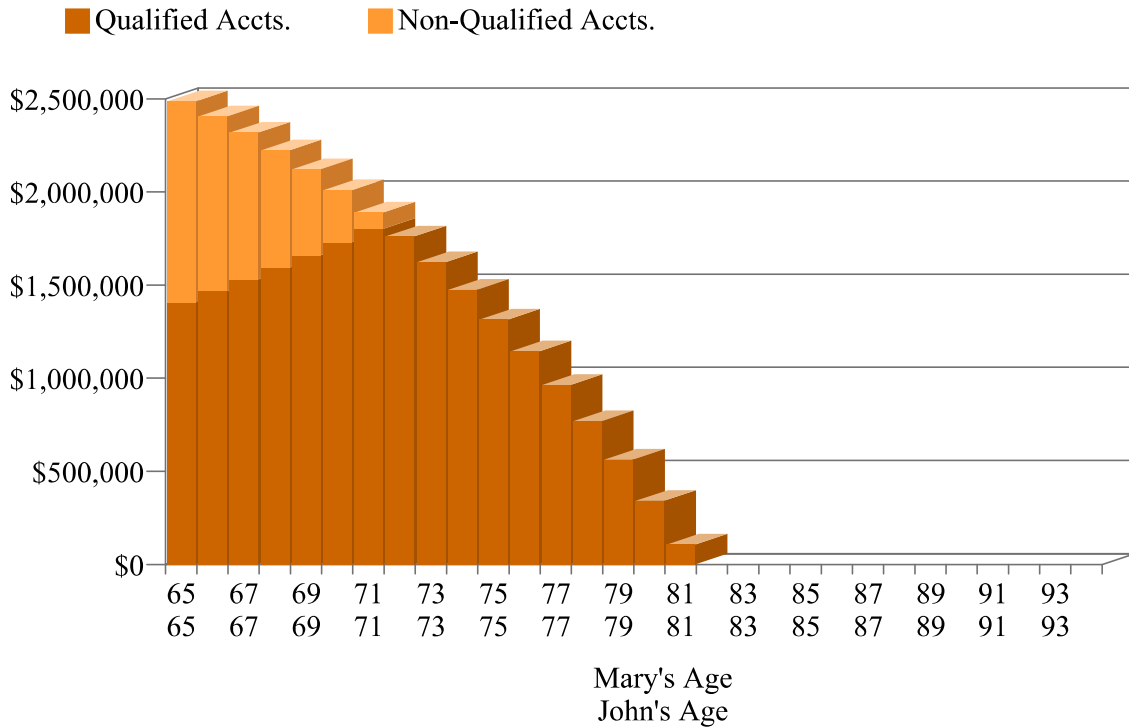
These results are hypothetical and are not a promise of future performance.

\*Capitalization treats a series of cash flows as a lump sum, deposited in a hypothetical account with a return of 6.00%.



# Retirement Capital Results

## *Assets At Work Over Time*



Assuming: Mary's mortality age 95, John's mortality age 95

Portfolio performance is a key factor to retirement success. How much your portfolio provides will be dependent on four things: 1) How much you put in; 2) The amount and timing of withdrawals; 3) The types of investments (e.g., tax-advantaged); and 4) The growth of your portfolio as compared to inflation.

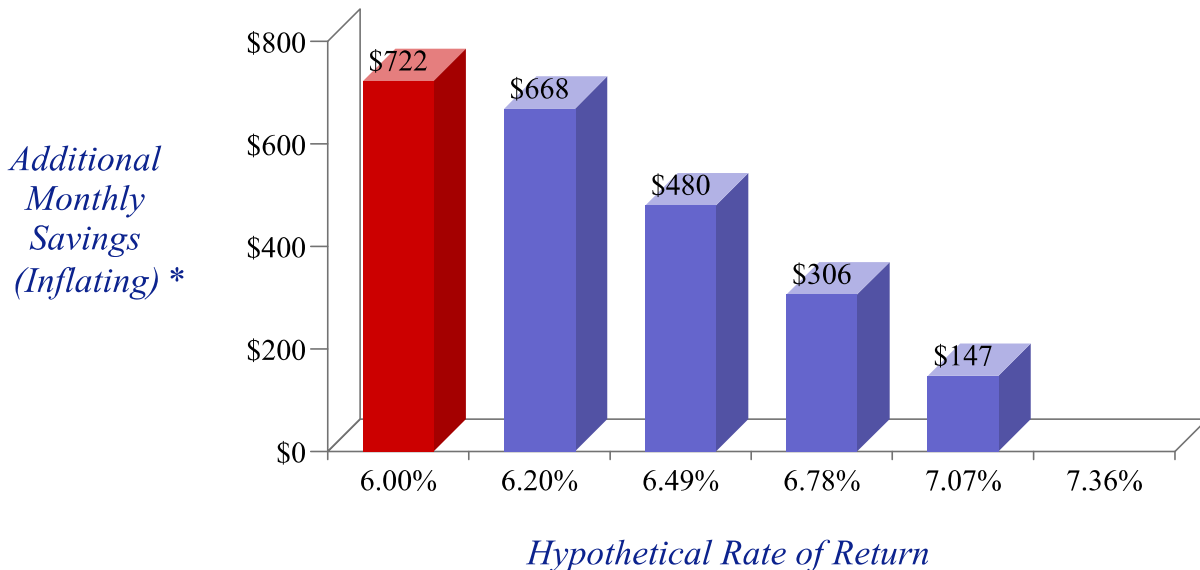
<i>Performance Milestones</i>	<i>Amount</i>
Average expected portfolio return	6.20%
<b>Retirement capital today</b>	<b>\$33,000</b>
Pre-retirement portfolio additions	\$807,559
Pre-retirement portfolio withdrawals	\$0
Pre-retirement portfolio growth	\$1,718,158
<b>Capital available at retirement</b>	<b>\$2,558,717</b>
Portfolio additions during retirement	\$0
Portfolio withdrawals during retirement	\$3,586,307
Portfolio growth during retirement	\$1,027,590
<b>Capital remaining at end of plan</b>	<b>\$0</b>

These results are hypothetical and are not a promise of future performance.



# Save More—Earn More

## *Achieving Your Retirement Objective*



The analysis shows that there are not enough assets to provide for your retirement needs. There are three ways to fix this problem: 1) Reduce or delay your retirement goal; 2) Save more money; or 3) Make your money work harder. Assuming you want to keep your goals intact, let's examine the last two.

### **Save More:**

At retirement, you need an additional \$903,415 in a hypothetical taxable account earning 6.00% to meet your goals. Savings of \$722/month into this account may accomplish this.

Currently, your assets are expected to earn an average of 6.20%. If the hypothetical account were earning this rate too, then you would need \$865,435 at retirement, requiring \$668/month.

### **Earn More:**

If, however, your retirement assets could earn 7.36%, no additional savings would be necessary to achieve your retirement goals. Frequently, however, an increase in return can mean an increase in the risks to your portfolio, so care should be taken before proceeding.

### **The Right Combination:**

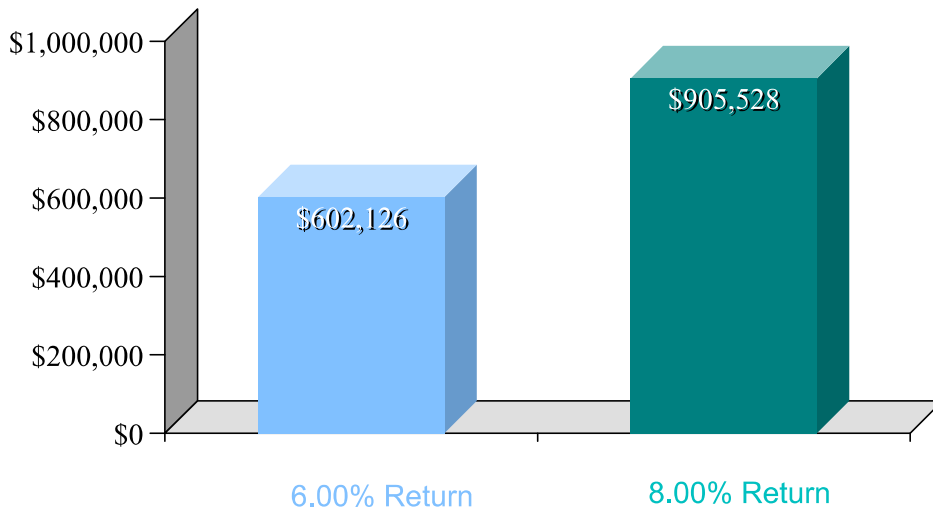
Changing your portfolio rate from 6.20% to 6.78% reduces the additional savings to \$306/month. Factors such as risk tolerance, timeframe and saving ability can help you find the right combination.

\*Assumes that the monthly savings amount increases by 2.00% each year.

# What a Difference 2.00% Makes

6.00% vs. 8.00% Annual Return

50.39% More





2.00% rate increase creates 50.39% increase in value!\*

What a difference a percent or two makes. Note how a 2.00% increase in assumed rate of return results in a 50.39% increase in the results. Can you find a way to earn an extra 2.00% on your investment? If so, you will enjoy a much greater percent reward than the increase itself!

\*Assumes \$20,000 initial capital and \$500 monthly payments over 30 years. This is a hypothetical example designed to show the effects of any increased rate over time. Of course, higher rates may imply more risk. This example is not intended to predict any investment's actual results.

# Odds of Death and Disability

<b>At Age 35</b>	<b>Within 15 Years</b>	<b>Within 30 Years</b>	<b>Before Age 65</b>
<i>Odds of Death</i> 	<b>1 in 27</b>	<b>1 in 6</b>	<b>1 in 7</b>
<i>Odds of Disability</i> 	<b>1 in 21</b>	<b>1 in 5</b>	<b>1 in 5</b>

Proper planning for death and disability should be considered by everyone.

Source for odds of death: 2001 Commissioners Standard Ordinary Table for Male, Age Last Birthday.  
Source for odds of disability: 2012 Society of Actuaries IDEC Table for Male, Occupation Class 1, 90-day elimination.