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# Asset Allocation

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# 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 Emerging Information Systems (USA), 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.**

**A final word:**

No liability is assumed resulting from the use of the information contained in this financial illustration. Responsibilities for financial decisions are assumed by you. You should seek the guidance of a financial or investment professional before proceeding with any investment decision.

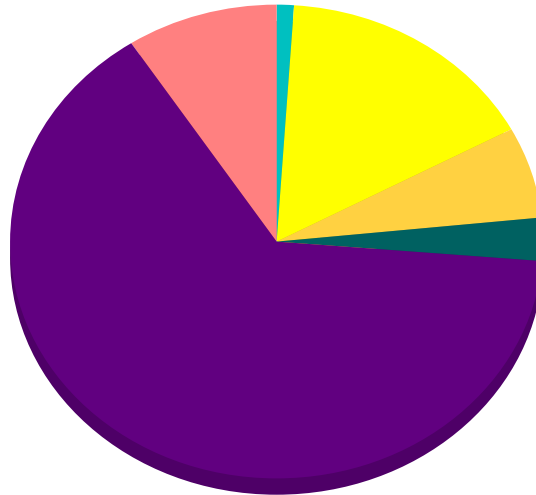
# Asset Summary

## by Asset Type

**\$1,608,000**



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



<u>Assets</u>	<u>Current Balance</u>	<u>Percent of Total Assets</u>
Bank Accounts	\$19,000	1.2%
Qualified Retirement Accounts	\$269,000	16.7%
Investment Accounts	\$91,000	5.7%
Education Investment Accounts	\$42,000	2.6%
Real Estate and Residence	\$1,025,000	63.7%
Personal Property	\$162,000	10.1%
<b>Total Assets</b>	<b>\$1,608,000</b>	<b>100.0%</b>

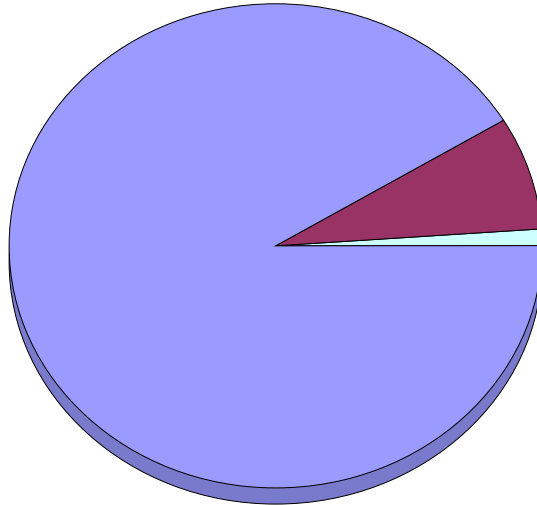
# Liability Summary

## by Liability Type

\$522,256



- Real Estate
- Property Loans
- Personal Loans
- Credit Cards



<b>Liabilities</b>	<b>Current Liability</b>	<b>Percent of Total Liabilities</b>
Real Estate	\$480,692	92%
Property Loans	\$36,064	7%
Personal Loans	\$0	0%
Credit Cards	\$5,500	1%
<b>Total Liabilities</b>	<b>\$522,256</b>	<b>100%</b>

# Assets and Liabilities

## by Type (as of 4/22/2009)

<i>Assets</i>	<i>Current Expected Rate of Return</i>	<i>Market Value</i>	<i>Total Market Value</i>
<b>Bank Accounts</b>			
Bank of SD Checking	0.00%	4,000	
Bank of SD Savings	3.00%	15,000	
<b>Total Bank Accounts</b>			19,000
<b>Qualified Retirement Accounts</b>			
Atlas Retirement Plan			
Fidelity Freedom Income	3.86%	45,000	
PIMCO Total Return Instl	4.04%	37,000	
Medical Center 403(b)	3.42%	75,000	
Tom's Rollover IRA			
T. Rowe Price Corporate Income	5.06%	112,000	
<b>Total Qualified Retirement Accounts</b>			269,000
<b>Investment Accounts</b>			
ABC Brokerage			
AIM Charter A	8.88%	21,000	
CA-Tax Free Muni Bond Fund	3.70%	14,000	
Money Market Fund	2.27%	6,000	
Grandparent's Savings Bonds for Kids			
Melissa's Savings Bonds	2.76%	25,000	
Neal's Savings Bonds	2.76%	25,000	
<b>Total Investment Accounts</b>			91,000
<b>Education Investment Accounts</b>			
Melissa's College Fund			
Melissa's College Fund	6.39%	24,000	
Neal's College Fund			
Neal's College Fund	7.74%	18,000	
<b>Total Education Investment Accounts</b>			42,000
<b>Real Estate and Residence</b>			
Oceanside Rental House Investment Property	4.00%	425,000	
Carlsbad Home	2.50%	600,000	
<b>Total Real Estate and Residence</b>			1,025,000
<b>Personal Property</b>			
Coin Collection	5.00%	7,000	
Tom's BMW	0.00%	60,000	
Marilyn's Jeep	0.00%	40,000	
Furnishings	0.00%	55,000	
<b>Total Personal Property</b>			162,000
<b>Total Assets</b>			<b>\$1,608,000</b>
<hr/>			
<i>Liabilities</i>	<i>Assumed Initial Interest Rate</i>	<i>Current Balance</i>	<i>Total Balance</i>
<b>Real Estate Loan</b>			
1st Mortgage for Carlsbad Home	5.50%	470,692	

Continued...

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HELOC on Carlsbad Home	6.00%	10,000	
Total Real Estate Loan			480,692
<i>Property Loan</i>			
Loan for Tom's BMW	8.50%	36,064	
Total Property Loan			36,064
<i>Credit Card</i>			
Bank of San Diego Visa	12.00%	5,500	
Total Credit Card			5,500
<i>Total Loans &amp; Liabilities</i>			<u>\$522,256</u>
<i>Assets and Liabilities</i>			<u>\$1,085,744</u>

# Assets & Liabilities

## by Owner

<i>Assets</i>	<i>Current Expected Rate of Return</i>	<i>Market Value</i>	<i>Total Market Value</i>
<i>Tom's</i>			
Atlas Retirement Plan			
Fidelity Freedom Income	3.86%	45,000	
PIMCO Total Return Instl	4.04%	37,000	
Tom's Rollover IRA			
T. Rowe Price Corporate Income	5.06%	112,000	
Coin Collection	5.00%	7,000	
Tom's BMW	0.00%	60,000	
Total Owned by Tom			261,000
<i>Marilyn's</i>			
Medical Center 403(b)	3.42%	75,000	
Marilyn's Jeep	0.00%	40,000	
Total Owned by Marilyn			115,000
<i>Joint</i>			
Bank of SD Checking	0.00%	4,000	
Bank of SD Savings	3.00%	15,000	
ABC Brokerage			
AIM Charter A	8.88%	21,000	
CA-Tax Free Muni Bond Fund	3.70%	14,000	
Money Market Fund	2.27%	6,000	
Oceanside Rental House Investment Property	4.00%	425,000	
Carlsbad Home	2.50%	600,000	
Furnishings	0.00%	55,000	
Total Owned Jointly			1,140,000
<i>Other</i>			
Grandparent's Savings Bonds for Kids			
Melissa's Savings Bonds	2.76%	25,000	
Neal's Savings Bonds	2.76%	25,000	
Melissa's College Fund			
Melissa's College Fund	6.39%	24,000	
Neal's College Fund			
Neal's College Fund	7.74%	18,000	
Total Owned by Other			92,000
<i>Total Assets</i>			<u><u>\$1,608,000</u></u>

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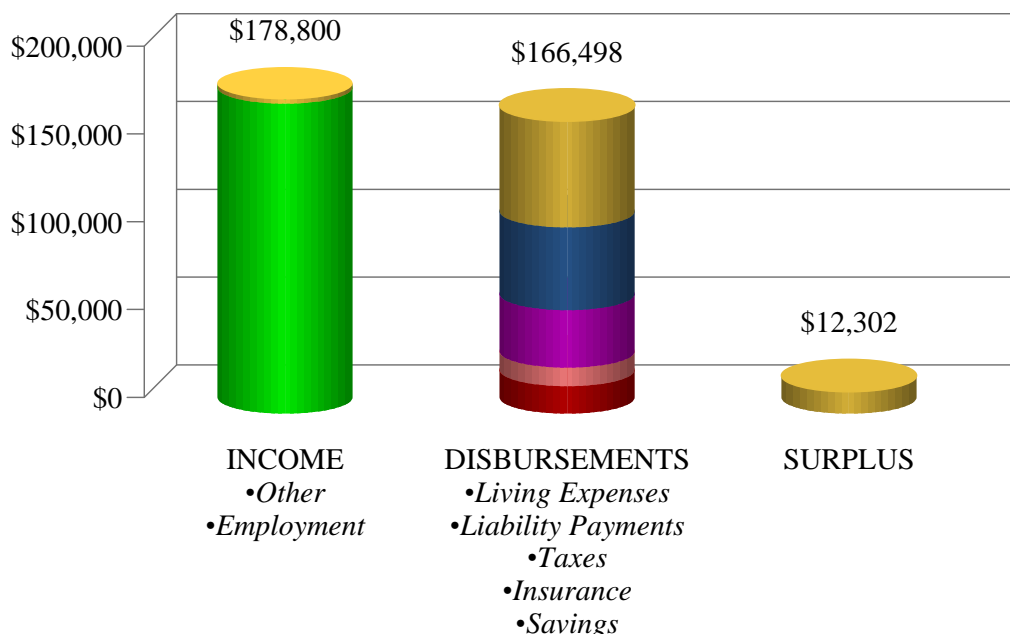


<i>Liabilities</i>	<i>Initial Interest Rate</i>	<i>Current Balance</i>	<i>Total Balance</i>
<b>Tom's</b>			
Loan for Tom's BMW	8.50%	36,064	
Total Owned by Tom			36,064
<b>Joint</b>			
1st Mortgage for Carlsbad Home	5.50%	470,692	
HELOC on Carlsbad Home	6.00%	10,000	
Bank of San Diego Visa	12.00%	5,500	
Total Owned Jointly			486,192
<b>Total Loans &amp; Liabilities</b>			<b>\$522,256</b>
<b>Assets &amp; Liabilities</b>			<b>\$1,085,744</b>



# Cash Flow Summary

For your financial priorities!



	<i>Annual Amount</i>	<i>Percentage of Total Income</i>
<b>Income</b>		
Employment	\$176,400	99%
Other	2,400	1%
<i>Total</i>	<u>\$178,800</u>	<u>100%</u>
<b>Disbursements</b>		
Living Expenses	\$60,500	34%
Liability Payments	47,110	26%
Taxes	32,808	18%
Insurance	10,480	6%
Savings/Retirement Plans	15,600	9%
<i>Total</i>	<u>166,498</u>	<u>93%</u>
<b>Surplus</b>	<u>\$12,302</u>	<u>7%</u>

# Cash Flow

	<i>Annual Amount</i>	<i>Monthly Average</i>	<i>Percent of Total Income</i>
<b>Income</b>			
Employment - Tom	\$102,000	\$8,500	57%
Employment - Marilyn	74,400	6,200	42%
Interest and Dividends - Tom	1,600	133	1%
Interest and Dividends - Marilyn	800	67	0%
<i>Total Income</i>	<u>\$178,800</u>	<u>\$14,900</u>	<u>100%</u>
<b>Disbursements</b>			
<i>Living Expenses</i>			
Housing	\$13,100	\$1,092	7%
Child Care	3,600	300	2%
Transportation	6,000	500	3%
Food & Beverages	6,600	550	4%
Clothing	3,000	250	2%
Furnishings	2,500	208	1%
Personal Care and Cash	7,200	600	4%
Medical/Dental/Drugs	1,800	150	1%
Education/Self-Improvement	3,000	250	2%
Entertainment	4,800	400	3%
Vacations and Holidays	5,000	417	3%
Charitable Contributions	1,200	100	1%
Care for Parents	2,400	200	1%
Pet Care	300	25	0%
<i>Total Expenses</i>	<u>\$60,500</u>	<u>\$5,042</u>	<u>34%</u>
<i>Liability Payments</i>			
1st Mortgage for Carlsbad Home	\$34,067	\$2,839	19%
HELOC on Carlsbad Home	600	50	0%
Loan for Tom's BMW	10,667	889	6%
Bank of San Diego Visa	1,776	148	1%
<i>Total Liability Payments</i>	<u>\$47,110</u>	<u>\$3,926</u>	<u>26%</u>
<i>Taxes</i>			
Federal - Tom	\$7,344	\$612	4%
Federal - Marilyn	7,176	598	4%
State - Tom	3,756	313	2%
State - Marilyn	3,108	259	2%
OASDI/Medicare	11,424	952	6%
<i>Total Taxes</i>	<u>\$32,808</u>	<u>\$2,734</u>	<u>18%</u>
<i>Insurance</i>			
All-Star VUL	\$4,600	\$383	3%
Allstar Level Term	1,200	100	1%
Homeowners	1,400	117	1%

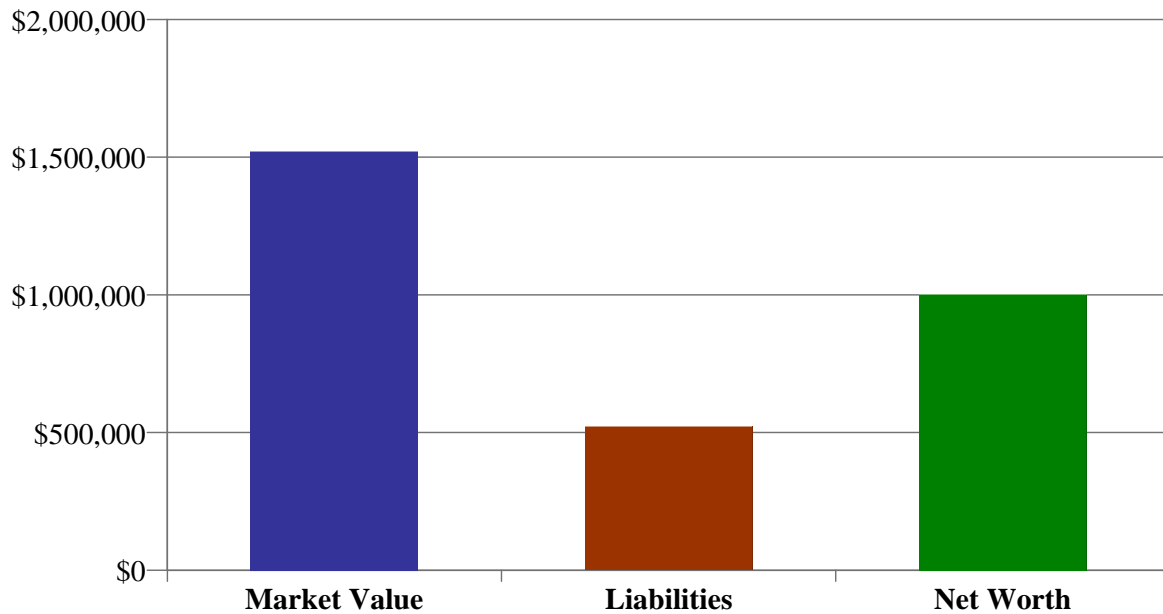
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Medical	1,480	123	1%
Auto	1,800	150	1%
<i>Total Insurance</i>	<u>\$10,480</u>	<u>\$873</u>	<u>6%</u>
<i>Savings</i>			
Atlas Retirement Plan	\$6,000	\$500	3%
Medical Center 403(b)	9,600	800	5%
<i>Total Savings</i>	<u>\$15,600</u>	<u>\$1,300</u>	<u>9%</u>
<i>Total Disbursements</i>	<u>\$166,498</u>	<u>\$13,875</u>	<u>93%</u>
<b>Surplus</b>	<b><u><u>\$12,302</u></u></b>	<b><u><u>\$1,025</u></u></b>	<b><u><u>7%</u></u></b>

# Net Worth Summary



\$999,744



***Assets*** ***\$1,522,000***

Bank Accounts	\$19,000
Qualified Retirement Accounts	\$269,000
Investment Accounts	\$41,000
Real Estate and Residence	\$1,025,000
Personal Property	\$162,000
Life Insurance Cash Values	\$6,000

***Liabilities*** ***\$522,256***

Real Estate Loan	\$480,692
Property Loan	\$36,064
Credit Card	\$5,500

***Net Worth*** ***\$999,744***

# Net Worth Statement

As of 4/22/2009

<i>Assets</i>	<i>Current Expected Rate of Return</i>	<i>Market Value</i>	<i>Total Market Value</i>
<b>Bank Accounts</b>			
Bank of SD Checking	0.00%	4,000	
Bank of SD Savings	3.00%	15,000	
Total Bank Accounts			19,000
<b>Qualified Retirement Accounts</b>			
Atlas Retirement Plan			
Fidelity Freedom Income	3.86%	45,000	
PIMCO Total Return Instl	4.04%	37,000	
Medical Center 403(b)	3.42%	75,000	
Tom's Rollover IRA			
T. Rowe Price Corporate Income	5.06%	112,000	
Total Qualified Retirement Accounts			269,000
<b>Investment Accounts</b>			
ABC Brokerage			
AIM Charter A	8.88%	21,000	
CA-Tax Free Muni Bond Fund	3.70%	14,000	
Money Market Fund	2.27%	6,000	
Total Investment Accounts			41,000
<b>Real Estate and Residence</b>			
Oceanside Rental House Investment Property			
	4.00%	425,000	
Carlsbad Home	2.50%	600,000	
Total Real Estate and Residence			1,025,000
<b>Personal Property</b>			
Coin Collection			
	5.00%	7,000	
Tom's BMW	0.00%	60,000	
Marilyn's Jeep	0.00%	40,000	
Furnishings	0.00%	55,000	
Total Personal Property			162,000
<b>Life Insurance Cash Values</b>			
All-Star VUL			
	--	6,000	
Total Life Insurance Cash Values			6,000
<b>Total Assets</b>			<b>\$1,522,000</b>

<i>Liabilities</i>	<i>Assumed Initial Interest Rate</i>	<i>Current Balance</i>	<i>Total Balance</i>
<b>Real Estate Loan</b>			
1st Mortgage for Carlsbad Home			
	5.50%	470,692	
HELOC on Carlsbad Home			
	6.00%	10,000	
Total Real Estate Loan			480,692
<b>Property Loan</b>			
Loan for Tom's BMW			
	8.50%	36,064	
Total Property Loan			36,064

Continued...

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*Credit Card*

Bank of San Diego Visa  
Total Credit Card

12.00%

5,500

5,500

*Total Loans & Liabilities*

\$522,256

*Net Worth*

\$999,744

# Risk Tolerance Assessment

## *Matching risk tolerance and time horizon to an allocation*

In determining the most appropriate asset allocation for your needs, there are two components that must be considered as part of your risk tolerance assessment:

- 1. Risk Tolerance Profile** - Measuring your *willingness* to accept uncertainties in investment performance. Your risk tolerance profile can be viewed as directly related to your opportunity for investment returns. The greater your tolerance for risk, the greater your opportunity for return. (Of course, returns cannot be guaranteed, regardless of your risk tolerance.)
- 2. Time Horizon** - Measuring the amount of *time* until the objective being funded (e.g., retirement, education goal) will begin, combined with how long the objective is expected to last (e.g., 30 years, 4 years).

To see how these two elements interact, consider the following example:

*An investor is willing to tolerate significant risk in order to increase the chances for a better return. The investor is saving for a child's education that will begin in three years and last for four. In order to reduce the chance of short-term losses, this investor would be well-advised to allocate investments for this objective in low risk, low return investments, even though his risk tolerance suggests otherwise.*

*The same investor is saving toward a retirement that is 15 years away and expected to last 30 to 40 years. Investment assets aimed at retirement can be allocated in significantly higher risk, higher return investments in order to provide more opportunity for long-term growth.*

In the next few pages, your risk tolerance will be assessed and time horizon(s) calculated, thus pointing to one or more asset allocations that fit your situation.

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Tom and Marilyn Clark  
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## Part 1: Risk Tolerance Profile

*What is your appetite for risk?*

Below are the questions from the Risk Tolerance Questionnaire as well as your answers (shaded). Your risk tolerance score, and the indicated profile, follow:

1. Inflation, the rise in prices over time, can erode your investment return. Long-term investors should be aware that, if portfolio returns are less than the inflation rate, their ability to purchase goods and services in the future might actually **decline**. However, portfolios with long-term returns that significantly exceed inflation are associated with a higher degree of risk.

Which of the following portfolios is most consistent with your investment philosophy?

- a. **Portfolio 1** will most likely exceed long-term inflation by a significant margin and has a high degree of risk. (18 points)
  - b. **Portfolio 2** will most likely exceed long-term inflation by a moderate margin and has a high to moderate degree of risk. (12 points)
  - c. **Portfolio 3** will most likely exceed long-term inflation by a small margin and has a moderate degree of risk. (6 points)
  - d. **Portfolio 4** will most likely match long-term inflation and has a low degree of risk. (0 points)
2. Portfolios with the highest average returns also tend to have the highest chance of short-term losses. The table below provides the average dollar return of four hypothetical investments of \$100,000 and the possibility of losing money (ending value of less than \$100,000) over a **one-year holding period**. Please select the portfolio with which you are most comfortable.

	<b>Probabilities After 1 Year</b>		
	Possible Average Value at the End of One Year	Chance of Losing Money at the End of One Year	Score
a. Portfolio A	\$105,000	<b>24%</b>	(0 points)
b. Portfolio B	\$107,000	<b>27%</b>	(8 points)
c. Portfolio C	\$108,000	<b>29%</b>	(12 points)
d. Portfolio D	\$110,000	<b>31%</b>	(18 points)

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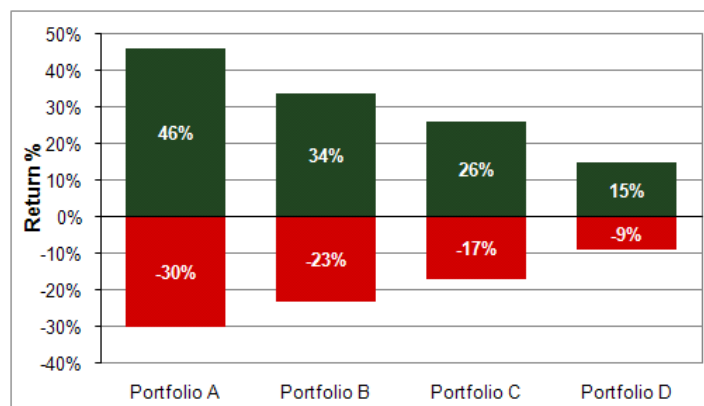
3. Investing involves a trade-off between risk and return. Historically, investors who have received high long-term average returns have experienced greater fluctuations in the value of their portfolio and more frequent short-term losses than investors in more conservative investments have. Considering the above, which statement best describes your investment goals?

- a. **Protect the value of my account.** In order to minimize the chance for loss, I am willing to accept the lower long-term returns provided by conservative investments. (0 points)
- b. **Keep risk to a minimum** while trying to achieve slightly higher returns than the returns provided by investments that are more conservative. (5 points)
- c. **Balance** moderate levels of risk with moderate levels of returns. (10 points)
- d. **Maximize long-term investment returns.** I am willing to accept large and sometimes dramatic fluctuations in the value of my investments. (15 points)

4. Historically, markets have experienced downturns, both short-term and prolonged, followed by market recoveries. Suppose you owned a well-diversified portfolio that fell by 20% (i.e. \$1,000 initial investment would now be worth \$800) over a short period, consistent with the overall market. Assuming you still have 10 years until you begin withdrawals, how would you react?

- a. I would **not** change my portfolio. (15 points)
- b. I would **wait at least one year** before changing to options that are more conservative. (10 points)
- c. I would **wait at least three months** before changing to options that are more conservative. (5 points)
- d. I would **immediately** change to options that are more conservative. (0 points)

5. The following graph shows the hypothetical results of four sample portfolios over a one-year holding period. The best potential and worst potential gains and losses are presented. Note that the portfolio with the best potential gain also has the largest potential loss.



Which of these portfolios would you prefer to hold?

- a. Portfolio A (19 points)
- b. Portfolio B (12 points)
- c. Portfolio C (7 points)
- d. Portfolio D (0 points)

Continued...

6. I am comfortable with investments that may frequently experience large declines in value if there is a potential for higher returns.

- a. Agree (15 points)
- b. Disagree (8 points)
- c. Strongly disagree (0 points)

**Your Risk Tolerance Score: 62 out of 100**

In the table below, you will find a description of the risk tolerance profile that most closely fits the score above.

<i>Risk Tolerance Profile</i>		
<i>Score</i>	<i>Profile</i>	<i>Description</i>
0-19	Conservative	The conservative investor is particularly sensitive to short-term losses, but still has the goal of beating expected inflation over the long run.
20-39	Moderate Conservative	The moderate conservative investor is sensitive to short-term losses, but is willing to accept more risk than the conservative investor in order to pursue higher potential returns over the long-term. The safety of investment and return is of relatively equal importance to the moderate conservative investor.
40-59	Moderate	The moderate investor is willing to accept some risk, but is probably not willing to accept the short-term risk associated with achieving a long-term return substantially above the inflation rate.
<b>60-79</b>	<b>Moderate Aggressive</b>	The moderate aggressive investor is concerned primarily with wealth accumulation over an intermediate to long time horizon. A greater importance is placed on the return potential of an investment than on its safety. A moderate amount of risk aversion tempers the pursuit of higher returns.
80-100	Aggressive	The aggressive investor values high returns relatively more than other types of investors. The aggressive investor is able to tolerate both large and frequent fluctuations in portfolio value in exchange for a higher return.

*Continued...*

## Part 2: Time Horizon Score

### *Measuring the impact of time on your asset allocation choice*

Different objectives may have different time horizons. You may be planning for an accumulation objective that is right around the corner, while also planning for another that is off in the distance. Furthermore, objectives can have varying durations -- those that are single sum or short term versus those that may last for a number of years.

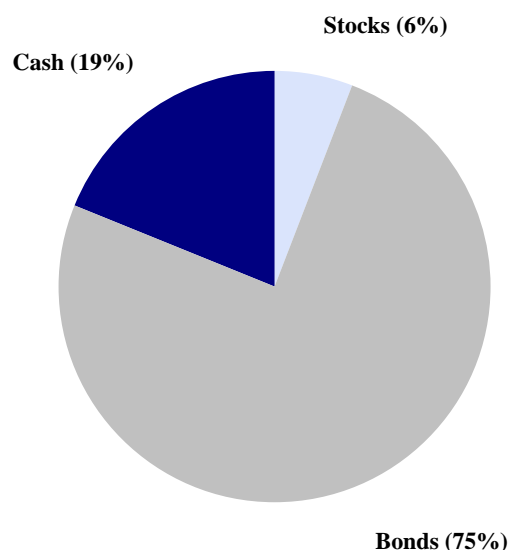
For each accumulation objective, the following two questions were answered and the points totaled to arrive at a time horizon score. Those scores are recorded below.

1. When do you expect to begin withdrawing money for your objective?
  - a. Less than 1 year (0 points)
  - b. 1 to 2 years (1 point)
  - c. 3 to 4 years (3 points)
  - d. 5 to 7 years (7 points)
  - e. 8 to 10 years (9 points)
  - f. 11 years or more (11 points)
  
2. Once you begin withdrawing money for this objective, how long do you expect the withdrawals to last?
  - a. I plan to take a lump sum distribution (0 points)
  - b. 1 to 4 years (2 points)
  - c. 5 to 7 years (4 points)
  - d. 8 to 10 years (5 points)
  - e. 11 years or more (6 points)

<i>Time Horizon Score</i>	
<i>Objective Name</i>	<i>Score</i>
Retirement	17
Melissa	9
Neal	13
New Car	3

# Current Asset Allocation

## Retirement Accounts



The assets in this portfolio have been evaluated in order to calculate your current asset allocation. This information will help determine how well this portfolio is positioned to meet your objective(s).

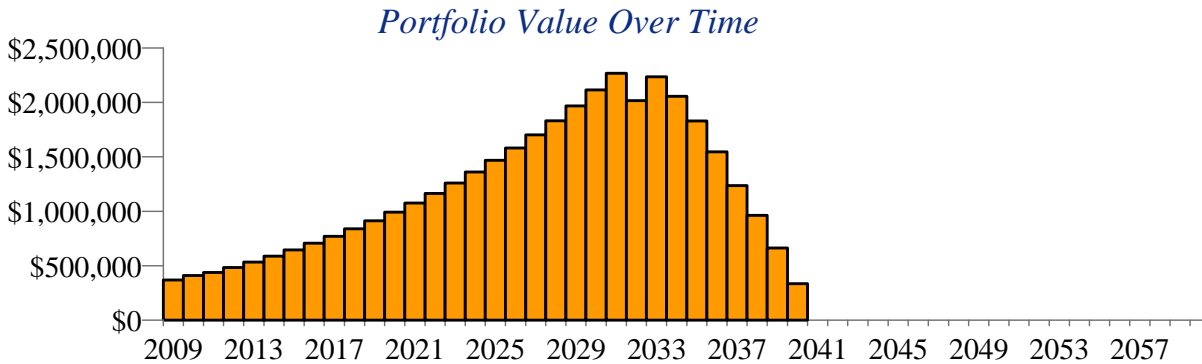
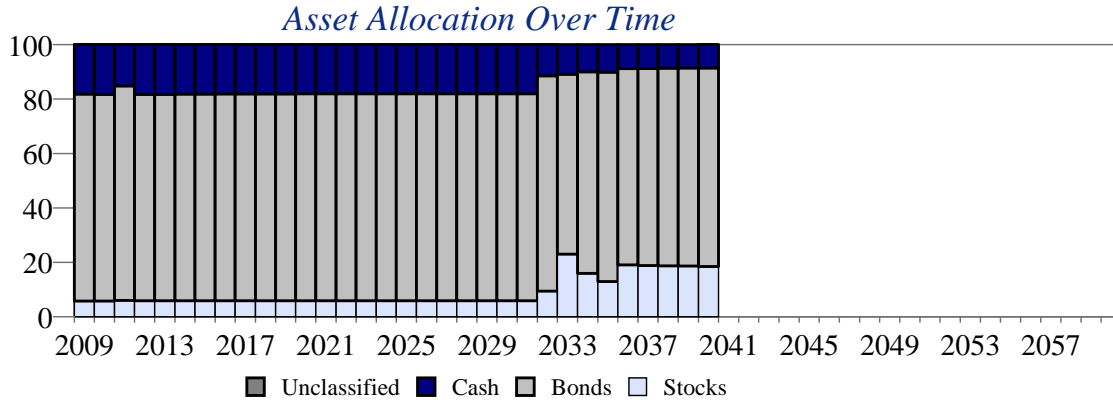
<i>Asset Class</i>	<i>Current Amount</i>	<i>%</i>
Large Cap Growth Stocks	\$14,070	4.28%
Large Cap Value Stocks	\$1,890	0.57%
Mid Cap Stocks	\$1,470	0.45%
Small Cap Stocks	\$840	0.26%
International Stocks	\$1,050	0.32%
Emerging Market Stocks	\$0	0.00%
<b>Total Stocks</b>	<b>\$19,320</b>	<b>5.87%</b>
Long Term Bonds	\$57,380	17.44%
Intermediate Term Bonds	\$85,450	25.97%
Short Term Bonds	\$26,070	7.92%
High Yield Bonds	\$69,440	21.11%
International Bonds	\$9,260	2.81%
<b>Total Bonds</b>	<b>\$247,600</b>	<b>75.26%</b>
<b>Total Cash</b>	<b>\$62,080</b>	<b>18.87%</b>
<b>Total Portfolio</b>	<b>\$329,000</b>	<b>100.00%</b>

All investments contain some form and degree of risk that investors should carefully consider prior to investing. Upon redemption, the principal value of investments in stocks and bonds may be worth more or less than when purchased. Small company stocks may be subject to a higher degree of market and liquidity risk than the stocks of larger companies. Investments in foreign stocks are subject to additional risks (e.g., foreign taxation, economic and political risks) and these risks can be accentuated in emerging markets. Bond prices will drop as interest rates rise. High yield bonds are more susceptible to certain risks (e.g., credit risk, default risk) and are more volatile than investment grade bonds.

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# Asset Allocation Time Horizon

## Retirement Accounts



This analysis compares the expected asset allocation over time to the portfolio value. Yearly, the percentage held in Stocks, Bonds and Cash may be impacted by factors, including: the growth rates of the asset classes; the timing of contributions/withdrawals; the amount of fixed assets (e.g., fixed annuities) and variable assets (e.g., mutual funds); portfolio rebalancing; and reallocations (as indicated below).

<i>Year to Reallocate</i>	<i>Name of Reallocation Portfolio</i>	<i>Expected Return</i>
Current	Current Asset Allocation	4.38%
2032	Low Risk/Return	4.69%

These results are hypothetical and are not a promise of future performance. All investments contain some form and degree of risk that investors should carefully consider prior to investing. Upon redemption, the principal value of stocks and bonds may be worth more or less than when purchased.

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# Reallocation Details

## Retirement Accounts

In the table below, the portfolio is allocated into various asset classes. When assets have not been classified into one of the asset classes listed, those values will be found in the row labeled Unclassified. The Expected Return and Risk rows apply only to the portion of the portfolio that has been classified. The Current column illustrates how this portfolio is allocated today. For the column(s) to the right, a reallocation is expected to occur in the year indicated. Additional descriptions for each reallocation can be found below the table.

The reallocation percentages represent the desired amounts. Actual amounts may differ due to \$94,000 of fixed assets (e.g., fixed annuity, bank account) in this portfolio that cannot be reallocated.

### Asset Reallocations

<i>Asset Class</i>	<i>Current</i>	<i>2032</i>
Large Cap Growth Stocks	4.28%	4.00%
Large Cap Value Stocks	0.57%	8.00%
Mid Cap Stocks	0.45%	3.00%
Small Cap Stocks	0.26%	0.00%
International Stocks	0.32%	5.00%
Emerging Market Stocks	0.00%	0.00%
<b>Total Stocks</b>	<b>5.87%</b>	<b>20.00%</b>
Long Term Bonds	17.44%	12.00%
Intermediate Term Bonds	25.97%	22.00%
Short Term Bonds	7.92%	28.00%
High Yield Bonds	21.11%	5.00%
International Bonds	2.81%	3.00%
<b>Total Bonds</b>	<b>75.26%</b>	<b>70.00%</b>
<b>Total Cash</b>	<b>18.87%</b>	<b>10.00%</b>
<b>Total Allocated Portfolio</b>	<b>100.00%</b>	<b>100.00%</b>
Expected Return	4.38%	4.69%
Standard Deviation (Risk)	6.21%	6.29%

### Reallocation 1 in year 2032

**Portfolio Name:** Low Risk/Return

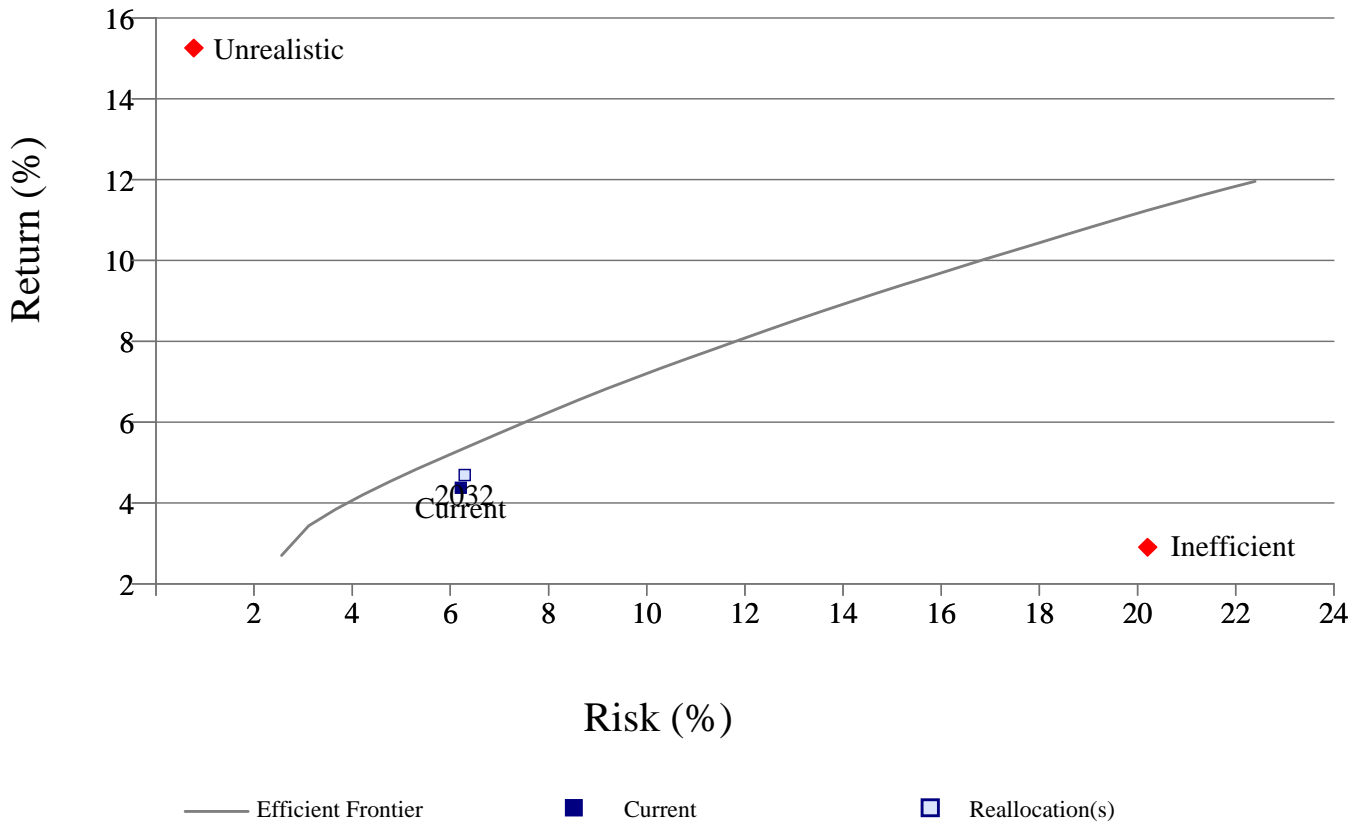
**Description:** This portfolio is designed to provide stability and protection from loss to investors who either have a short time horizon and/or a primary goal of avoiding potential loss. The stability of this portfolio comes at the expense of achieving higher long-term returns.

All investments contain some form and degree of risk that investors should carefully consider prior to investing. Upon redemption, the principal value of investments in stocks and bonds may be worth more or less than when purchased. Small company stocks may be subject to a higher degree of market and liquidity risk than the stocks of larger companies. Investments in foreign stocks are subject to additional risks (e.g., foreign taxation, economic and political risks) and these risks can be accentuated in emerging markets. Bond prices will drop as interest rates rise. High yield bonds are more susceptible to certain risks (e.g., credit risk, default risk) and are more volatile than investment grade bonds.

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# Efficient Frontier

## Retirement Accounts



This chart illustrates the allocation(s) for this portfolio along with the Efficient Frontier. The Efficient Frontier represents the highest return an allocation may receive for any level of risk. The *inefficient* allocation (lower diamond) offers stock market-type risks and savings account returns, while the *unrealistic* one (upper diamond) offers stock market-type returns and savings account risk. All allocations will (realistically) fall below the line, with the more efficient ones approaching the line.

Compare your Current allocation with the Efficient Frontier. If the point can move up and to the left before hitting the line, then better returns may be possible for the risk -- or lower risk for the return.

Year to Reallocate	Name of Reallocation Portfolio	Expected Return	Risk**
Current	Current Asset Allocation	4.38%	6.21%
2032	Low Risk/Return	4.69%	6.29%

\*\*This column uses standard deviation as a measure of risk. The higher the percentage, the higher the potential risk.

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# Benchmark Descriptions

## ***Large Cap Growth Stocks - Russell 1000® Growth Index***

The Russell 1000 Growth Index contains those Russell 1000 securities with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

## ***Large Cap Value Stocks - Russell 1000® Value Index***

The Russell 1000 Value Index contains those Russell 1000 securities with a less-than-average growth orientation. Securities in this index generally have lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

## ***Mid Cap Stocks - Russell Midcap® Index***

The Russell Mid Cap Index consists of the smallest 800 companies in the Russell 1000 index, as ranked by total market capitalization. This midcap index represents approximately 31% of the Russell 1000 total market capitalization. As of January 2009, the average market capitalization was approximately \$5.024 billion; the median market capitalization was approximately \$2.254 billion. The largest company in the index had an approximate market capitalization of \$13.815 billion.

## ***Small Cap Stocks - Russell 2000® Index***

The Russell 2000 Index is a small-cap index consisting of the smallest 2,000 companies in the Russell 3000 Index, representing approximately 10% of the Russell 3000® total market capitalization. As of January 2009, the average market capitalization was approximately \$0.823 billion; the median market capitalization was approximately \$0.277 billion. The largest company in the index had an approximate market capitalization of \$3.329 billion.

## ***International Stocks - MSCI EAFE® Index***

The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. As of January 2009 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The index is maintained by Morgan Stanley Capital International which aims to include 60% coverage of the total market capitalization for each market.

## ***Emerging Market Stocks - MSCI Emerging Markets Index***

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. As of January 2009 the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.

## ***Long-Term Bonds - US Long-Term Government Bonds***

The objective of this benchmark is to measure the returns of long-term bonds. To the greatest extent possible the total returns are calculated for each year on a single bond issued by the United States Government with a term of approximately 20 years and a reasonably current coupon with returns that did not reflect potential tax benefits, impaired negotiability, or special redemption or call privileges.

*Continued...*

### ***Intermediate Term Bonds - US Intermediate Term Government Bonds***

The objective of this benchmark is to measure the returns of intermediate-term bonds. As with long-term government bonds, one-bond portfolios are used to construct the intermediate-term index. The bond chosen each year is the shortest non-callable bond with a maturity of not less than five years, and it is "held" for the calendar year. Monthly returns are computed. Bonds with impaired negotiability or special redemption privileges are omitted, as are partially or fully tax-exempt bonds starting in 1943.

### ***Short-Term Bonds - US 1-Year Government Bonds***

The objective of this benchmark is to reflect the returns provided by the short-term fixed income instruments. Yields on Treasury securities at "constant maturity" are interpolated by the U.S. Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations obtained by the Federal Reserve Bank of New York. The constant maturity yield values are read from the yield curve at fixed maturities, currently 3 and 6 months and 1, 2, 3, 5, 7, 10, 20 and 30 years. This method provides a yield for a 10-year maturity, for example, even if no outstanding security has exactly 10 years remaining to maturity.

From the yield that is provided by the U.S. Treasury, the following are calculated:

Total Return = (ending flat price)/(beginning flat price) - 1

Beginning flat price =  $100 * (1 - (\text{lagged decimal yield}) * 30/360)$

Ending flat price = 100

### ***High Yield Bonds - Barclay's High Yield Index***

The BarCap High Yield Index covers the universe of fixed rate, noninvestment grade debt. Criteria to be included in the index are as follows:

1. All bonds must be dollar-denominated and nonconvertible.
2. All bonds must have at least one year remaining to maturity and an outstanding par value of at least \$100 million. (Limit of \$100 million was raised from \$50 million in January 1993.)
3. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets are excluded, but Yankee and global bonds (SEC registered) of issuers in non-emerging countries are included.
4. Original issue zeroes and step-up coupon structures are also included.

In general, all securities must be rated Ba1 or lower by Moody's Investors Service, including defaulted issues. If no Moody's rating is available, bonds must be rated BB+ or lower by S&P; and if no S&P rating is available, bonds must be rated below investment grade by Fitch Investor's Service.

A small number of unrated bonds are included in the index; to be eligible they must have previously held a high yield rating or have been associated with a high yield issuer, and must trade accordingly. In 1998, 144A securities were added to this index.

### ***International Bonds - Citigroup WGBI Non-U.S.***

The objective of this benchmark is to reflect the returns provided by investment in international (non U.S.) fixed income securities. The World Government Bond Index is a market-capitalization weighted benchmark that tracks the performance of fixed-rate sovereign debt issued in the domestic market in the local currency with at least one year maturity. The minimum credit quality required is BBB-/Baa3 (by either S&P or Moody's) for all issuers to ensure that the WGBI remains an investment-grade benchmark.

*Continued...*

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### ***Cash - Citigroup US Domestic 3 Month T-Bill***

The objective of this benchmark is to reflect the returns provided by the short term fixed income instruments. The index is based on the U.S. 3 month Treasury Bills. This index measures monthly return equivalents of yield averages that are not marked to market. Calculations are based on the last 3, 3-month T-Bill issues. Returns for this index are then calculated on a monthly basis.

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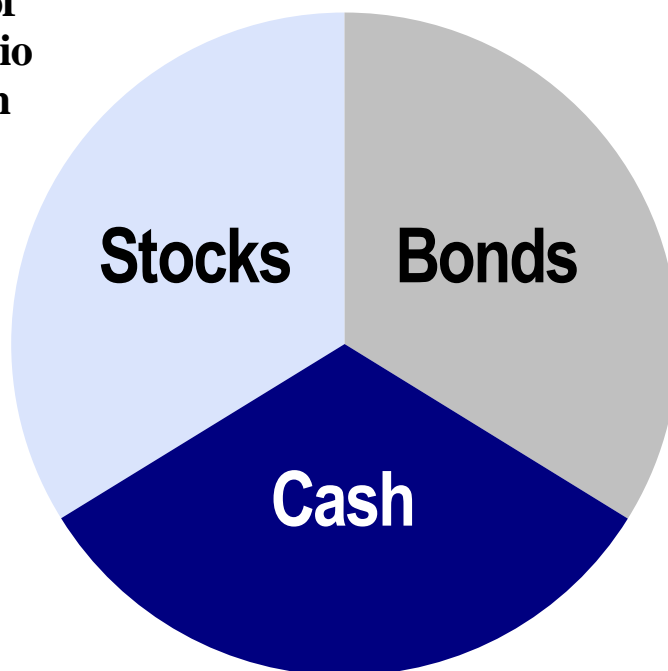
All of the indices reflected above are unmanaged and you cannot invest directly in these indices.

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# What is Asset Allocation?

**Asset allocation is the process of developing a diversified portfolio by combining different assets in varying proportions.**



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## *What is Asset Allocation?*

The asset allocation decision is one of the most important factors in determining both the return and the risk of an investment portfolio.

Asset allocation is the process of developing a diversified investment portfolio by combining different assets in varying proportions.

An asset is anything that produces income or can be purchased and sold, such as stocks, bonds, or certificates of deposit (CDs). Asset classes are groupings of assets with similar characteristics and properties. Examples of asset classes are large-company stocks, long-term government bonds, and Treasury bills.

Every asset class has distinct characteristics and may perform differently in response to market changes. Therefore, careful consideration must be given to determine which assets you should hold and the amount you should allocate to each asset.

Factors that greatly influence the asset allocation decision are your financial needs and goals, the length of your investment horizon, and your attitude toward risk.