
Survivor Needs



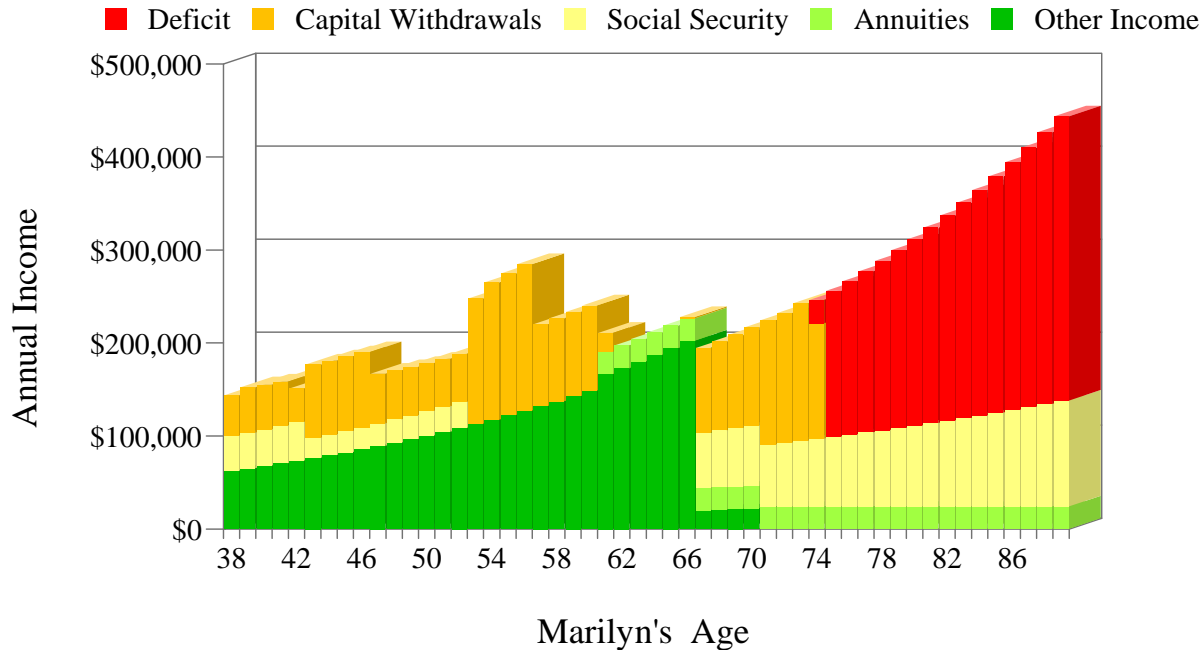
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Survivor Needs Capital Analysis



In the event of Tom's Death



Income needs:

At Marilyn's age:	38	53	67
Annual income desired	\$143,734	\$229,811	\$187,119
Income available:	99,863	112,984	103,429
Annual surplus/(shortage)	(\$43,871)	(\$116,827)	(\$83,690)

Assets available at Tom's death	\$293,060
Life insurance death benefits	400,000

Total capital available	\$693,060
Immediate Cash needs	(15,500)

Net capital available for income needs	\$677,560
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Additional capital needed today to fund all income shortages and provide for your survivor's needs until Marilyn's age 90 is \$300,365.¹

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

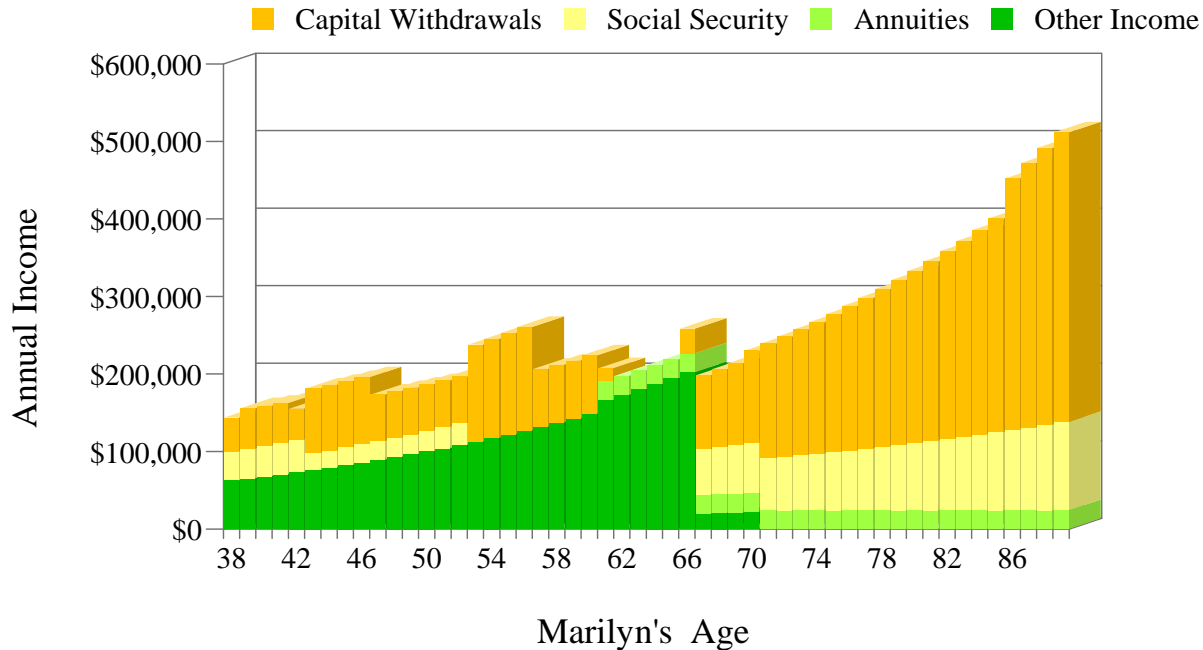
¹ Assumes amount is deposited in the asset designated to receive life insurance benefits, with an initial expected return of 7.54%.

Survivor Needs

Capital Analysis - Solved



In the event of Tom's Death



Income needs:

At Marilyn's age:	38	53	67
Annual income desired	\$143,734	\$229,811	\$187,119
Income available:	99,863	112,984	103,429
Annual surplus/(shortage)	(\$43,871)	(\$116,827)	(\$83,690)

Assets available at Tom's death	\$293,060
Life insurance death benefits	400,000
Solution Amount ¹	300,365

Total capital available	\$993,425
Immediate Cash needs	(15,500)
Net capital available for income needs	\$977,925

Additional capital needed today to fund all income shortages and provide for your survivor's needs until Marilyn's age 90 is \$300,365.¹

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¹ Assumes amount is deposited in the asset designated to receive life insurance benefits, with an initial expected return of 7.54%.

Survivor Needs

Summary

In the event of Tom's Death

Income Needs:

At Marilyn's age:

	38	53	67
Expenses	\$143,734	\$229,811	\$187,119
Income Available:			
Employment	74,400	133,990	0
Social Security	43,834	0	70,049
Cole Deferred Compensation	0	0	24,407
Survivor annuity benefit	0	0	27,000
Taxes on Income	<u>(18,371)</u>	<u>(21,006)</u>	<u>(18,027)</u>
Annual Surplus/(Shortage)	<u>(\$43,871)</u>	<u>(\$116,827)</u>	<u>(\$83,690)</u>

Capital Available:

Assets Available	\$293,060
Life Insurance Death Benefits	400,000
Total Capital Available	<u>\$693,060</u>

Additional Cash Needs:

Debts/Liabilities	\$5,500
Emergency Reserve Fund	10,000
Total additional cash needs	<u>(\$15,500)</u>

Net capital available for income needs **\$677,560**

Additional capital needed today to fund all income shortages and provide for your survivor's needs until Marilyn's age 90 is \$300,365.¹

¹ Assumes amount is deposited in the asset designated to receive life insurance benefits, with an initial expected return of 7.54%.

Survivor Needs

Income Sources

In the event of Tom's Death

Income Source	Initial Annual Amount	Percent Available	Amount Available	At Marilyn's Age	Ending Age	Annual Increase
Marilyn's Earnings	\$74,400	100%	\$74,400	38	53	4.00%
Marilyn's Earnings	133,990	100%	133,990	53	67	4.00%
Social Security*	43,834	100%	43,834	38	90	3.00%
Cole Deferred Compensation	39,710	50%	19,855	61	71	3.50%
Survivor annuity benefit	54,000	50%	27,000	61	90	0.00%

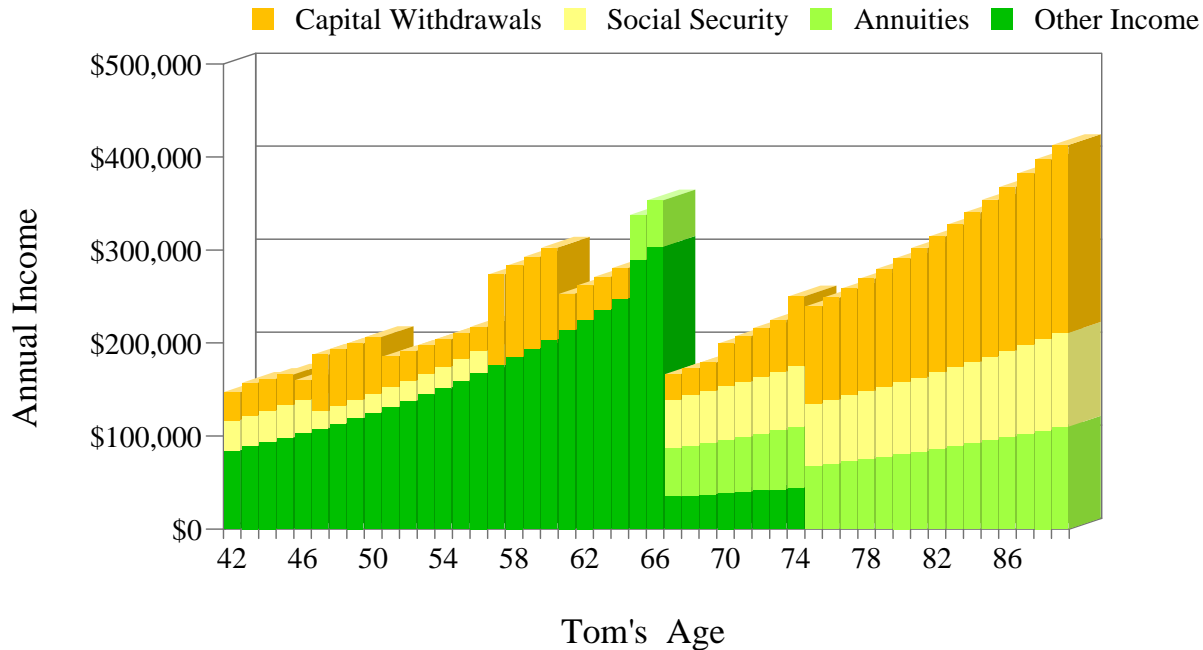
*There is a period when social security benefits cease and do not start again until retirement.

Income Source	Initial Annual Amount	Taxable	Tax Rate	After tax Income
Marilyn's Earnings	\$74,400	Yes	18%	\$61,008
Marilyn's Earnings	133,990	Yes	18%	109,872
Social Security	43,834	Yes	18%	37,127
Cole Deferred Compensation	39,710	Yes	18%	16,281
Survivor annuity benefit	54,000	Yes	18%	24,084

Survivor Needs Capital Analysis



In the event of Marilyn's Death Today



Income needs:

At Tom's age:	42	57	67
Annual income desired	\$147,334	\$269,185	\$159,950
Income available:	116,843	176,127	139,195
Annual surplus/(shortage)	(\$30,492)	(\$93,058)	(\$20,755)

Assets available at Marilyn's death	\$273,980
Life insurance death benefits	400,000

<i>Total capital available</i>	\$673,980
Immediate Cash needs	(25,500)
<i>Net capital available for income needs</i>	\$648,480

In addition to providing for your survivor's needs until Tom's age 90, you will have a surplus of \$186,096.

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

Survivor Needs

Summary

In the event of Marilyn's Death

Income Needs:	At Tom's age:		
	42	57	67
Expenses	\$147,334	\$269,185	\$159,950
Income Available:			
Employment	102,000	212,051	0
Social Security	37,925	0	62,237
Cole Deferred Compensation	0	0	42,538
Supp. Income from All-Star VUL	0	0	57,846
Taxes on Income	<u>(23,083)</u>	<u>(35,924)</u>	<u>(23,427)</u>
<i>Annual Surplus/(Shortage)</i>	<u>(\$30,492)</u>	<u>(\$93,058)</u>	<u>(\$20,755)</u>
Capital Available:			
Assets Available			\$273,980
Life Insurance Death Benefits			400,000
<i>Total Capital Available</i>			<u>\$673,980</u>
Additional Cash Needs:			
Debts/Liabilities			\$5,500
Emergency Reserve Fund			10,000
Other Bequests			10,000
<i>Total additional cash needs</i>			<u>(\$25,500)</u>
 <i>Net capital available for income needs</i>			<u>\$648,480</u>

In addition to providing for your survivor's needs until Tom's age 90, you will have a surplus of \$186,096.

Survivor Needs

Income Sources

In the event of Marilyn's Death

Income Source	Initial Annual Amount	Percent Available	Amount Available	At Tom's Age	Ending Age	Annual Increase
Tom's Earnings	\$102,000	100%	\$102,000	42	57	5.00%
Tom's Earnings	212,051	100%	212,051	57	67	5.00%
Social Security*	37,925	100%	37,925	42	90	3.00%
Cole Deferred Compensation	39,710	100%	39,710	65	75	3.50%
Supp. Income from All-Star VUL	54,000	100%	54,000	65	90	3.50%

*There is a period when social security benefits cease and do not start again until retirement.

Income Source	Initial Annual Amount	Taxable	Tax Rate	After tax Income
Tom's Earnings	\$102,000	Yes	18%	\$83,640
Tom's Earnings	212,051	Yes	18%	173,882
Social Security	37,925	Yes	18%	32,123
Cole Deferred Compensation	39,710	Yes	18%	32,562
Supp. Income from All-Star VUL	54,000	Yes	18%	48,168

Survivor Needs

Timeline Definitions

Survivor Needs Cash Flow Timeline

Annual Income Needs

Income Need

The Income Need column represents the pre-tax annual income needed by the survivor. This need may be adjusted based on certain events such as the youngest child attaining age 18 and the survivor's retirement. For a tax-sensitive plan, the income need should be net of any income taxes.

Goals Need

The Goals Need column will list the projected value of all education goals and accumulation goals to be funded during the survivor's analysis.

Qualified Plan Contributions

The Qualified Plan Contribution column illustrates the dollars needed to fully fund the survivor's savings to the survivor's retirement plans if you have elected in Qualified Plan Preferences to treat contributions to qualified plans as a required expense.

Total Need

The sum of all income needs for the survivor.

Annual Income Sources

Earnings

The Earnings column will illustrate the expected earnings of the surviving client. The earnings in the survivor's analysis may be different than the surviving client's current salary and self-employment income due to assumptions made for the survivor's analysis.

Social Security

The Social Security column illustrates the estimated Social Security benefit for the surviving client and/or dependents. The Social Security benefit will be based on any Social Security income sources entered for the plan, or if none have been entered, they will be based on estimates consistent with the Social Security Administration using salary information entered in the plan.

Other Sources

The Other Sources column provides totals for all incomes not defined in the other columns such as defined benefit plans and annuity payments.

Taxes on Income

The Taxes on Income column shows the taxes due on the taxable portion of Earnings, Social Security and Other Sources. The average income tax rate is 18.00% at Tom's death, and 18.00% at Marilyn's death.

Surplus/(Shortage)

The Surplus/(Shortage) column is equal to the Total Income Sources minus the Total Income Needs.

Survivor Needs Capital Available Timeline

Withdrawals from Capital

Taxes on Withdrawal/Investment Return

The Taxes on Withdrawal/Investment Return column calculates the total Income and Capital Gains taxes that are due based on the growth and/or liquidation of assets. The following tax rates are assumed:

- Tom's death: average income tax rate of 18.00% and capital gains tax rate of 17.00%.

Continued...

- Marilyn's death: average income tax rate of 18.00% and capital gains tax rate of 17.00%.
- For distributions from retirement plans prior to age 59½ a penalty of 0.00% is assumed, plus any applicable ordinary income tax.

Withdrawal

The Withdrawal column is equal to the income shortage for the current year, plus taxes on withdrawals for the current year, plus taxes on Investment Return for the prior year.

Additions to Capital

Surplus Income, Excess RMD & Employer Contributions

This column illustrates the amount of money added to the Survivor Needs Capital Available due to the surplus of income over need, employee and employer contributions to retirement plans, and any excess required minimum distributions.

Lump Sum Income & Sale Proceeds

The Lump Sum Income and Sales Proceeds column illustrates all additions to capital made to the designated lump sum asset. All amounts are net of taxes.

Total Investment Return

The Total Investment Return column illustrates the investment earnings on all assets available to meet survivor income needs including all survivor owned retirement plans. Each available asset will grow at its specified rate of return, subject to any rebalancing or reallocations.

Asset Balances

Survivor Owned Qualified Plans

The Survivor Owned Retirement Plans column illustrates the projected value of all retirement plans owned by the survivor. These assets may be unavailable until the survivor's age 59½ based on the plan assumptions.

529 Plans and Coverdell Accounts

The 529 Plans and Coverdell Accounts column shows the projected value of education accounts included in the plan. Surpluses remaining after an education goal is funded may be used to fund survivor income needs based on the plan assumptions.

All Other Available Assets

The All Other Available Assets column illustrates the total assets available to meet the survivor's income needs. Survivor owned retirement plans will be excluded from this column.

Liabilities Including Deferred Taxes

The Liabilities Including Deferred Taxes column illustrates the accumulated unmet shortages and the all potential income taxes, capital gains taxes, and penalty taxes on the assets available for the survivor analysis. The amount will be adjusted at 59½ to reflect the penalty-free access to survivor owned retirement plans.

Survivor Needs Capital Available

The Survivor Needs Capital Available column illustrates the net amount of all assets that can be used towards meeting survivor needs shortages.

Survivor Needs Summary Timeline

Total Annual Income Need

The Total Annual Income Need column is the total income needed to cover survivor expenses, goals to be funded in the event of death and survivor savings to retirement plans, if applicable.

Total Annual Income Sources

The Total Annual Income Sources column illustrates the total of survivor earnings, Social Security and direct income sources. For a tax-sensitive analysis, income sources will be reduced by any applicable income taxes.

Continued...

Surplus/(Shortage)

The Surplus/(Shortage) column is equal to the Total Annual Income Sources minus the Total Annual Income Needs.

Total Withdrawal from Capital

The Total Withdrawal from Capital column is equal to the income shortage for the current year, plus taxes on withdrawals for the current year, plus taxes on Investment Return for the prior year.

Total Additions to Capital

The Total Additions to Capital column illustrates the total of surplus income, employee and employer contributions to retirement plans, excess RMD, lump sum income, sale proceeds and investment return on available assets.

Survivor Needs Capital Available

The Survivor Needs Capital Available column illustrates the net amount of all assets that can be used towards meeting survivor needs shortages.

Survivor Needs Solved Timeline

Solution Amount

The solution amount represents the amount of money necessary to prevent the timeline from dropping below a target balance, between now and the survivor's mortality. The solution amount is determined by increasing the value of the surplus income asset until there is no year in which the capital available falls below the target balance.

Types of Life Insurance - Summary

Term

- **Decreasing Term.** Level premiums and decreasing death benefit. No cash accumulation. Frequently used for short-term, decreasing financial liabilities such as loans.
- **Annual Renewable Term.** Increasing premiums with level death benefits. No cash accumulation. Chief strength is low initial cost for death benefits, particularly beneficial to younger families with limited resources and the need for maximum protection.
- **Level Term.** Premiums level for a stated period of time, usually 5, 10, 15, or 20 years. Level death benefit. No cash accumulation. Frequently used to cover short or intermediate-term obligations.

Participating and Non-Participating Whole Life

Premiums and death benefits are typically level. Provides for cash accumulation. Provides for long-term needs, such as income for survivors. Other uses could include paying off debt and providing liquidity for estate taxes. Policies have required premiums which, if paid when billed by the insurer, provide guarantees of coverage and other benefits. Participating policies may provide dividends which can be taken in cash or used to enhance the policy. Non-participating policies typically provide “current” interest credits and “current” cost of insurance charges that are more favorable than the underlying guarantees. Policies may include “term riders” which result in the popular description of **Blended Whole Life** (i.e., Whole Life blended with Term).

Universal Life

Premiums are flexible; death benefits are typically level. Policy expenses are specifically charged to the policy, after which premiums go to cash values. Current interest credits are declared in advance. Benefits and uses are very similar to Whole Life. If premiums paid are less than those required to maintain the policy over the insured's lifetime, the policy may lapse unless additional premiums are paid.

Variable Life - Universal and Whole Life

Premiums are fixed or flexible depending on Universal or Whole Life format. Cash accumulation is directly affected by the performance of the separate accounts elected by the policy owner, who allocates cash values among various types of investment options such as stock funds, bond funds, money market funds, etc. Cash values may increase or decrease, depending on account performance, timing, and amount of premium payments. Whole Life policies may provide guarantees of policy sufficiency - regardless of cash value performance - if certain minimum premium payment requirements are met.