

**FINANCIAL PROJECTION ANALYSIS**  
**For**  
**John and Mary Demo**

The Current Financial Projection Report is actually six reports presented as one. These reports are: a taxable income summary, an income tax summary, a cash flow report, a liquidity statement, a retirement plan summary and an annual net worth status report.

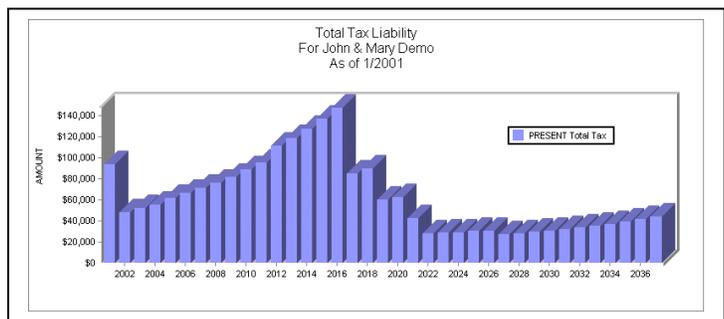
We can also prepare a Proposed Financial Projection Report which is identical to the first, with the exception that it shows how things are expected to evolve assuming you make all the recommended changes we propose.

The report begins in 2001 and can run to 2036, John's life expectancy. All anticipated cash income and expenses are included over this time frame including retirement income from all sources first beginning in 2017 when John is age 65. In one sense, this approach can be thought of as a total simulation model. All of the various elements of your financial affairs have been integrated into a comprehensive annual overview report permitting us to quickly spot any problems or trends.

The first six lines of the report pertain to your taxable income for each year. In 2001 your taxable gross income is scheduled to be \$277,189.

This includes earned income for John of \$100,000 and earned income for Mary of \$45,000.

Lines 7 through 20 of the report relate to the computation of your federal and state income taxes. In 2001 we show you having \$4,353 of adjustments to your income. Adjustments are such things as IRA's and certain other pension plan contributions.



After making adjustments for any passive losses, capital losses, itemized deductions, including state income tax payments, and your exemptions, we arrive at your taxable income for 2001 of \$232,944.

You'll notice that your federal and state tax estimate is \$83,382 using the table method and that you're in the 42% combined tax bracket.

In 2001 you will receive \$361,736 in total cash flow.

If we subtract \$30,150 of living expenses, \$83,382 of taxes, \$10,201 of FICA withholding, \$62,813 of loan and property expenses, and \$4,085 of investments, you will end the year with a surplus of \$171,105. We call this Annual Surplus Cash. Any balance of annual free cash is automatically assumed to be invested in a money market account at 3.00%. This balance is carried forward each year in the Accumulated Surplus Cash fund as shown on line 29.

Lines 32 and 33 of the report show the total amount of money going into your retirement plans, and the total value of the plans at the end of each year.

This year there will be a total of \$4,000 contributed to your retirement plans. When adding this figure to your current balance, plus this year's expected investment earnings, we find that you're expected to have a total of \$76,252 in your retirement plans by the end of 2001.

The final two lines of the report project your net worth from this year to 2036. Line 34 illustrates what your net worth is projected to be without regard to the effect inflation will have on purchasing power. Line 35 shows what those dollars are actually going to be worth assuming we experience a 3.00% average inflation rate.