



May 26, 2004



*"A penny saved is a penny earned,
but a penny saved today is a penny
earning more."*

- Anonymous

Retirement Planning

Prepared for: *Jesse and Marie Griggs
12443 Big Buck Cove
Branson, MO 84203
home: (213) 445-2433*

Presented by: *Larry Gooden, ChFC, CLU
Planner Portal - Sample Clients
354 Rocky Mountain Drive
Suite 250A
Denver, CO 78993
(706) 998-9903*

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Retirement Planning

Introduction

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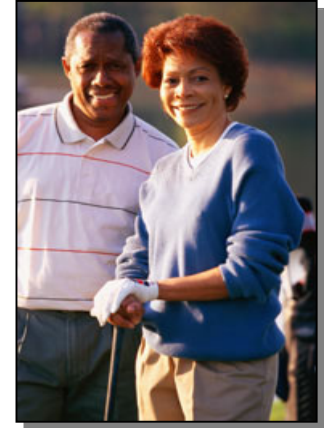
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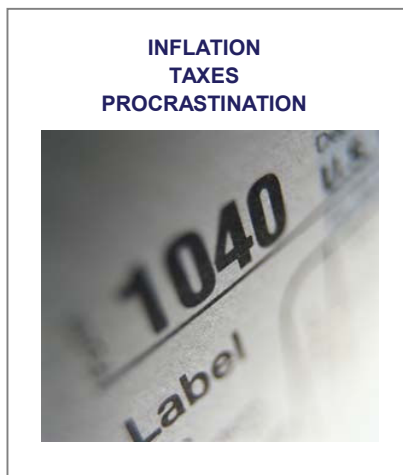
Inadequate Savings

Having enough money for retirement is one of the biggest financial concerns among Americans today. According to a recent survey by the Employee Benefit Research Institute, 70% of people polled said that future retirees will be financially "worse off" than current retirees. Almost the same number, 68 percent, think the percentage of elderly people living at or below the poverty line will increase in the future because of inadequate savings.

Some of this pessimism - particularly among younger people - comes from low expectations about the future of Social Security. Seventy-two percent of people think their benefits will be cut off or even eliminated altogether by the time they retire.



Roadblocks To Retirement



Inflation: Inflation is constant, steady erosion of money's value. The amount of erosion varies - in some years the rate of inflation is higher than in others. But the effect of inflation never changes: the cost of living keeps going, so you need more money just to break even.

Taxes: Just as inflation can erode your savings, income taxes can have a dramatic effect on your total return, negating as much as a third of your earnings. Consider carefully your savings vehicles to minimize "tax-bite" and maximize earnings. Consult your tax advisor with any questions on taxation issues.

Procrastination: By far the most dangerous of retirement roadblocks is procrastination. Each year that saving is postponed you lose the advantages of compound growth in that year. In exchange for a higher standard of living now you may deteriorate your standard of living during retirement.



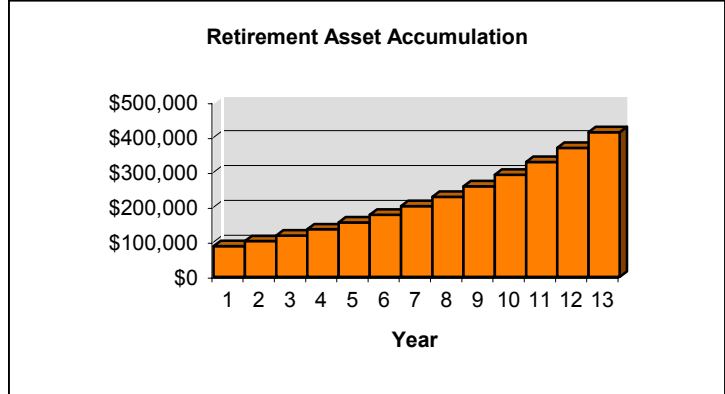
Sources Of Retirement Income

Today, two traditional sources of retirement income - Social Security and company pension plans are figuring less and less in people's retirement planning. By some estimates these two sources will provide just 20 to 25 percent of what those in the middle-to-upper income group will need to live comfortably when they retire. The forecast is cloudy for Social Security. Some actuaries believe either the system is going broke and will be out of business before today's younger workers come close to retirement age, or Social Security will provide only a marginal contribution to the incomes of those other than the poorest retirees.

Asset Accumulation



With regular contributions to a savings plan(s) and the effects of compounding interest, your retirement assets will accumulate to \$414,785 by the time you are ready to retire!

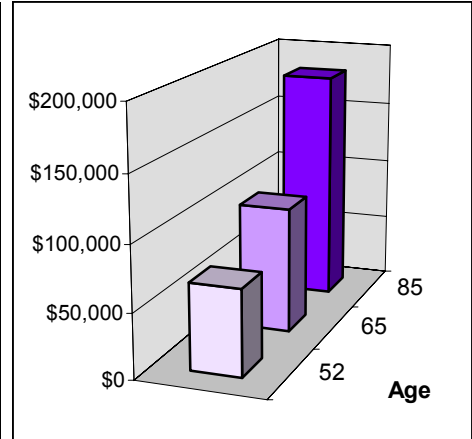


Growing Retirement Income Needs

Unfortunately, just as your assets grow over time so do your retirement income needs. It may surprise you how much inflation can impact your retirement income needs.



Retirement Income Needs	
Today:	\$66,400
At Retirement:	\$97,511
At End of Retirement:	\$181,399

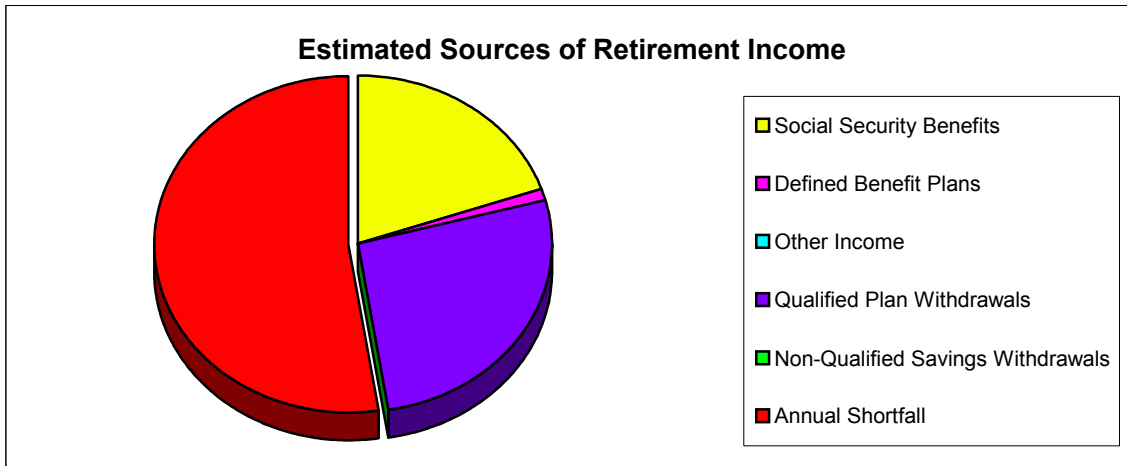


Importance Of Planning

Careful planning can help you realize your financial goals and help you maintain the same standard of living you are accustomed to during your retirement years.

These projections are hypothetical. This information is meant to provide you with a general idea about your retirement income needs. The results given are for illustrative purposes only and do not represent the actual performance of any current or future investment. Rates of return will vary over time, especially for long-term investments.

Results & Recommendations



Based on your current assumptions it appears that your annual retirement income objective of \$66,400 per year (in today's dollars) would not likely be met. The sooner you take action to address your shortfall the easier it will be to adjust your finances and/or expectations.


Potential Solutions

Your retirement objective of \$66,400 will not likely be met on your current course. Consider the following potential solutions:

- ◆ **Reduce your income expectations.**
- ◆ **Seek to improve your expected returns.**
- ◆ **Consider postponing your retirement.**

Or, to meet your objective you could save an additional \$1,670 monthly in a qualified (tax-advantaged) investment, or you could save an additional \$1,979 monthly in a non-qualified (taxable) investment (contributions increasing with inflation at 3.00%).*

*Qualified investment assumes new savings are invested at 10.00%. Non-qualified investment assumes new savings are invested at 7.50% before taxes. Assumed marginal tax rate of 25.0% before retirement, and 25.0% during retirement.



Summary

Purchasing Power:	\$66,400
Current Plans Provide:	\$32,690
Annual Shortfall:	\$33,710

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