

# Assessing Your Goals

*Prepared exclusively for:*

**JOHN S. & JANE S. FAILURE**

September 2010

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MERRILL LYNCH WEALTH MANAGEMENT

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## Important Information About this Brokerage Report

The Wealth Management Process offers brokerage advice to help you manage, grow and preserve your wealth. The process begins with this report, Assessing Your Goals, which highlights your goals and analyzes your current investment portfolio -- as well as identifies potential investment opportunities and relevant next steps. Please keep in mind that this is a general overview based on preliminary data that you have provided (see Appendix B). Therefore, you may need to consider additional issues not discussed in this analysis. After reviewing this report, we can work together to develop solutions and strategies to help you achieve your goals.

It is your responsibility to determine if, and how, the suggestions made in conjunction with this report should be implemented. You should carefully consider all relevant factors in making these decisions and are encouraged to consult with any of your professional advisors. Merrill Lynch is both a broker-dealer and an investment adviser, and it offers both brokerage and investment advisory services. There are important differences between these services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. Brokerage services are also regulated under different laws and rules than advisory services. It is important for you to understand these differences, particularly when determining which service or services you might select.

You are not required to transact business with Merrill Lynch or to implement any of the suggestions made in connection with this report. If you choose to do so, your Financial Advisor can help you put your strategy into action with suitable security and product recommendations. You should understand that unless otherwise agreed in writing, any implementation will be done by Merrill Lynch acting solely as broker-dealer, not as an investment advisor and we may execute transactions for your account as agent or principal.

It is important for you to understand that this report is not a comprehensive financial plan. If you are interested in a formal analysis of your entire financial situation, ask your Financial Advisor about Merrill Lynch's financial planning services, including the fees that may be applicable.

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## OVERVIEW

Assessing Your Goals is the first step in the process of managing, growing and preserving your wealth. It highlights your goals and your current investment portfolio — as well as identifies potential investment opportunities and relevant next steps. Please keep in mind that this document has been prepared based on preliminary data that you have provided. It is not a formal, comprehensive financial plan. Therefore, you may need to consider additional issues not discussed in this analysis.

After reviewing this report, we will work together to develop the solutions and strategies necessary to help you achieve your goals.

The following is a summary of the financial goal(s) and objective(s) you have established:

- Achieve a financially secure retirement.
- Review your asset allocation.
- Provide for the education of your loved ones.
- Minimize estate shrinkage and preserve assets for your heirs.
- Achieve your personal, home or investment financing goals through effective liability management.
- Manage your everyday cash and expenses.
- Achieve your near-term investment/savings goals.

Based on the information you provided, your primary investment goal is to:

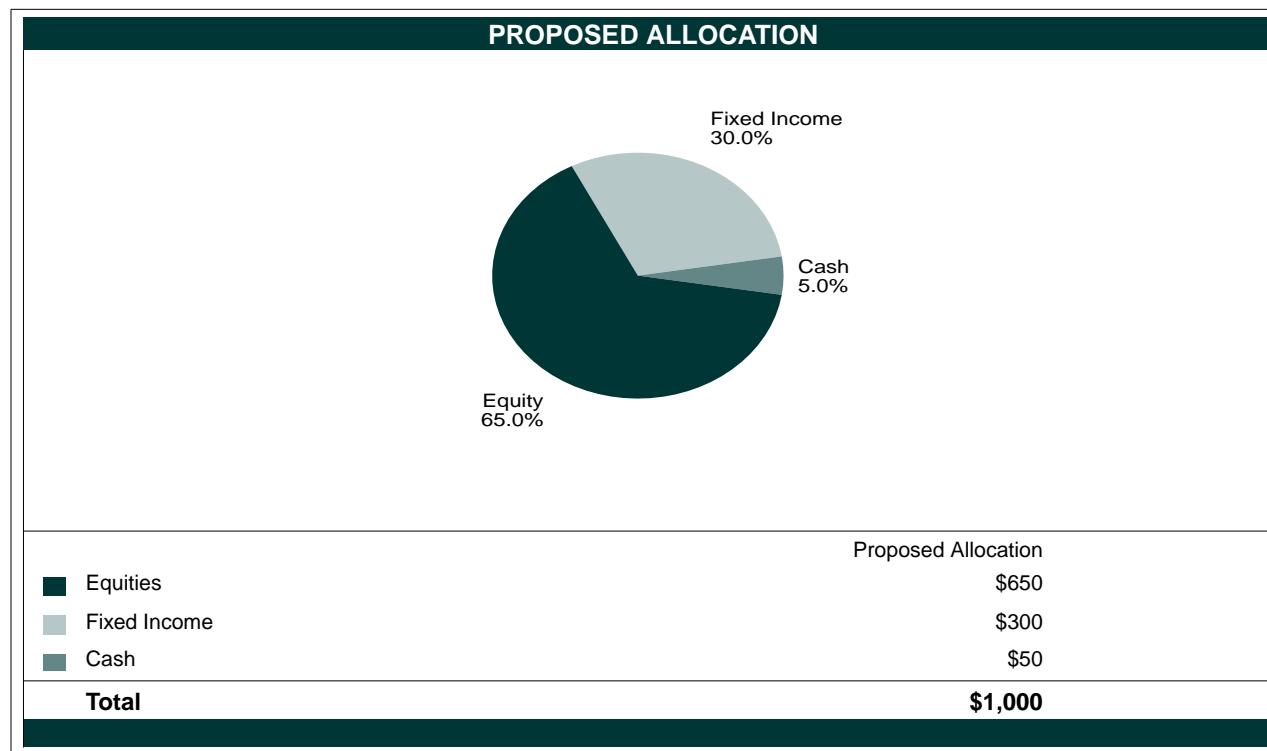
- Strike a balance between current income and investment growth.



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## A VIEW OF YOUR TOTAL PORTFOLIO



### KEY POINTS

- The proposed asset allocation model, based on your investor profile, represents a moderate model.

## REVIEW OF ASSET ALLOCATION

### Your Investor Profile

Your investor profile is the foundation of your investment strategy, your asset allocation and the level of portfolio risk you are willing to assume. Merrill Lynch has developed portfolio allocation models that coincide with the ways in which investors define their investment objectives and their feelings about risk. These allocation models each have a distinct risk and return potential.

### Reallocating Your Assets to Help Achieve Your Goals\*

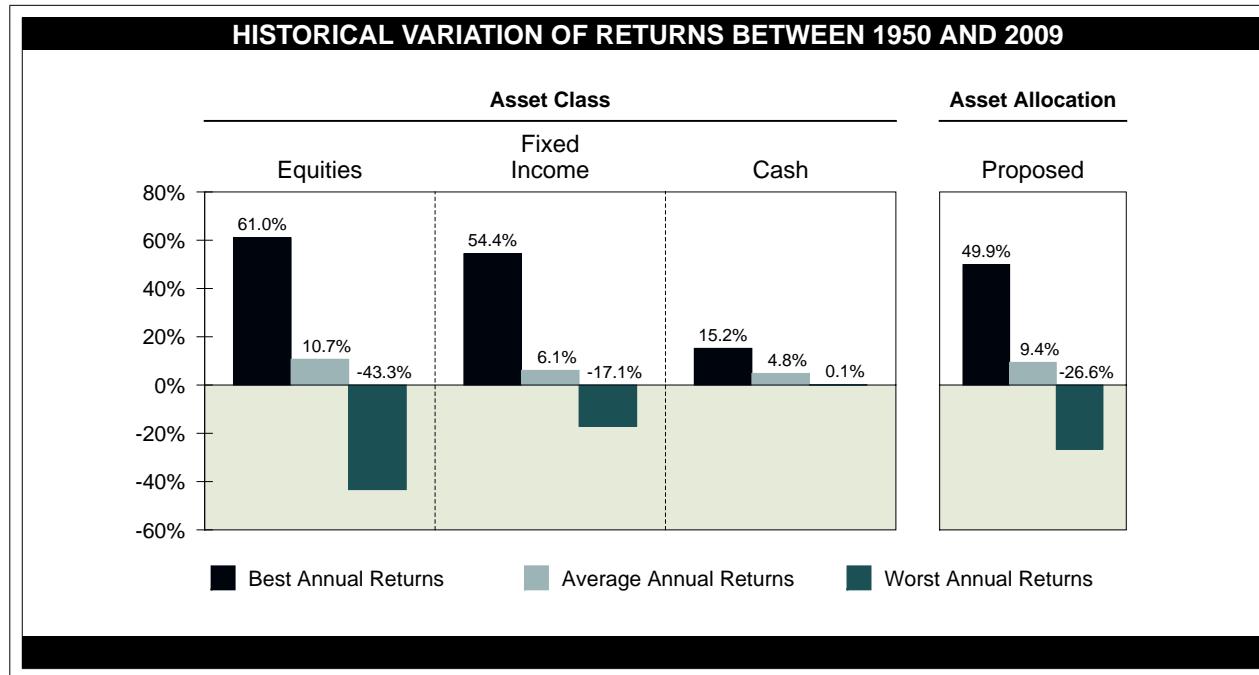
The graph above illustrates your proposed allocation. The proposed allocation reflects your investor profile and is based on your goals and time frames, your personal tolerance for risk and your current financial situation.

The proposed allocation represents a moderate portfolio model. An investor using the moderate model wants to strike a balance between portfolio stability and portfolio appreciation. An investor using this model should be willing to assume a moderate level of volatility and risk of principal loss. A typical portfolio will include a balance of Fixed Income and Equity exposure.

Based on the level of investment risk you are willing to assume, you may also wish to discuss with your Financial Advisor the potential costs, benefits and risks of financing your portfolio reallocation to defer potential capital gains taxes and maintain your position in certain investments. Please see Appendix A for more information.

\* If you choose to reallocate your investment assets to the proposed asset allocation, you may incur transaction charges and taxes. Your advisors, including tax advisors, can help you develop strategies to manage the tax impact of these changes. Additional information about the above graph is listed under the heading "Analysis: Review of Asset Allocation" at the end of the report.

## THE BENEFITS OF A DIVERSIFIED PORTFOLIO: A HISTORICAL VIEW



### KEY POINTS

- Historically, the return associated with an asset class (i.e., equities, fixed income and cash) is positively correlated to the risk associated with the asset class. For example, while equities have experienced a greater average return than other asset classes, they have also experienced greater volatility.
- Diversifying across asset classes can help you manage the relationship between risk and return.

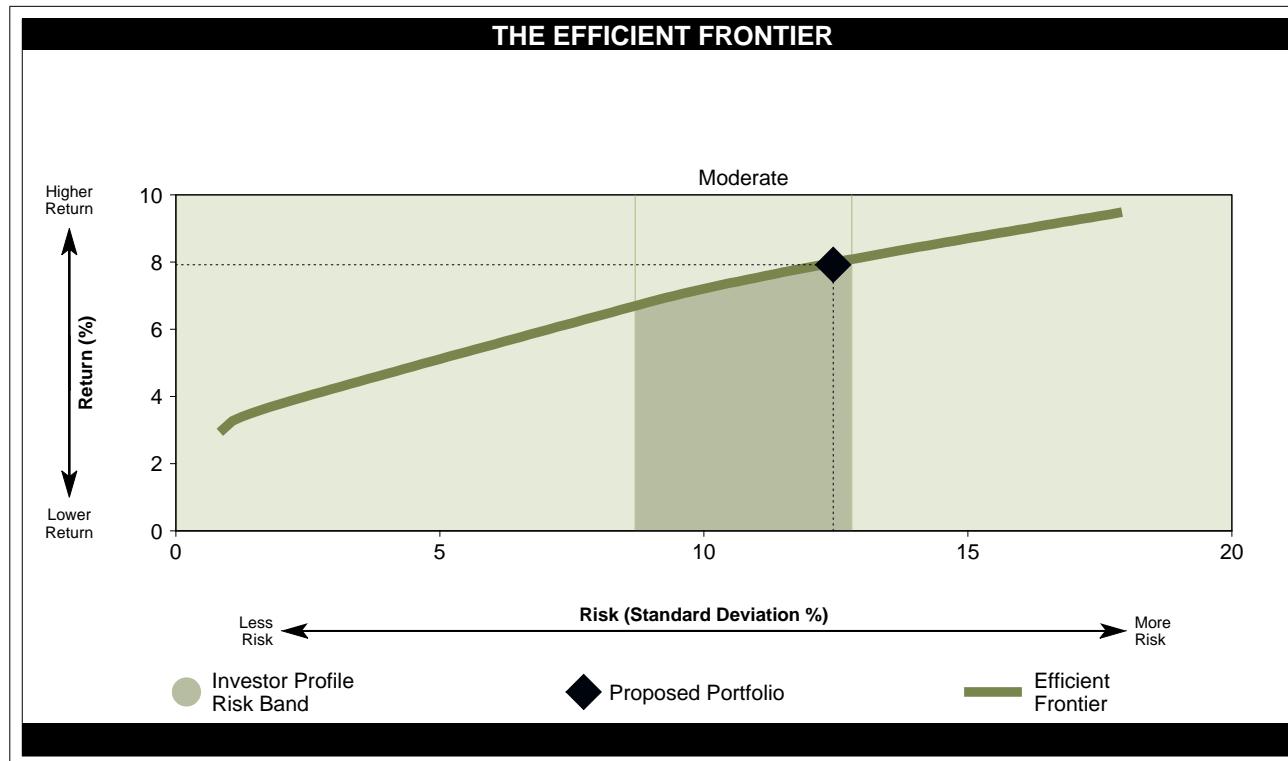
The graph above depicts the best, average, and worst rolling 12-month returns associated with individual asset classes (equities, fixed income and cash) and with your proposed asset allocation. This analysis uses historical rates of return to reflect the volatility associated with investments between 1950 and 2009. Past performance is not a guarantee of future results. Additional information about the assumptions used in this analysis is listed in Appendix A.

## THE RELATIONSHIP BETWEEN RISK AND RETURN

When making investment decisions, it is important to understand the relationship between risk and return. One measure of risk is the degree to which the value of an investment increases or decreases (i.e., volatility).

Diversifying across asset classes (asset allocation) can reduce the risk (volatility) associated with an investment portfolio. Investment portfolios are subject to some level of risk and therefore fluctuate in value over time. Asset allocation and diversification do not ensure a profit or protect against a loss in declining markets.

## ENHANCING THE EFFICIENCY OF YOUR PORTFOLIO



Additional information about the assumptions used in this analysis is provided under the heading “*Analysis: Enhancing the Efficiency of Your Portfolio*” in Appendix A.

## CREATING A BALANCED PORTFOLIO THROUGH ASSET ALLOCATION

Equities, fixed income and cash are the building blocks of an investment portfolio. A balanced portfolio combines these asset classes (asset allocation) in a manner suited to your goals, risk tolerance and time horizons.

The efficient frontier — shown as the curved line in the graph above — is formed by plotting the “hypothetical” investment portfolios (i.e., asset allocation models) that offer the highest expected return on investment for a given level of risk (as measured by standard deviation). To earn greater returns, generally an investor must assume additional risk. Portfolios that fall below the efficient frontier can potentially be adjusted to increase their return without increasing risk.

In addition, holding a concentrated position in a single stock may dramatically increase the risk level for a portfolio. Diversifying individual holdings within an asset class can help reduce the risk so the overall portfolio results will not be materially affected by the performance of any single investment.

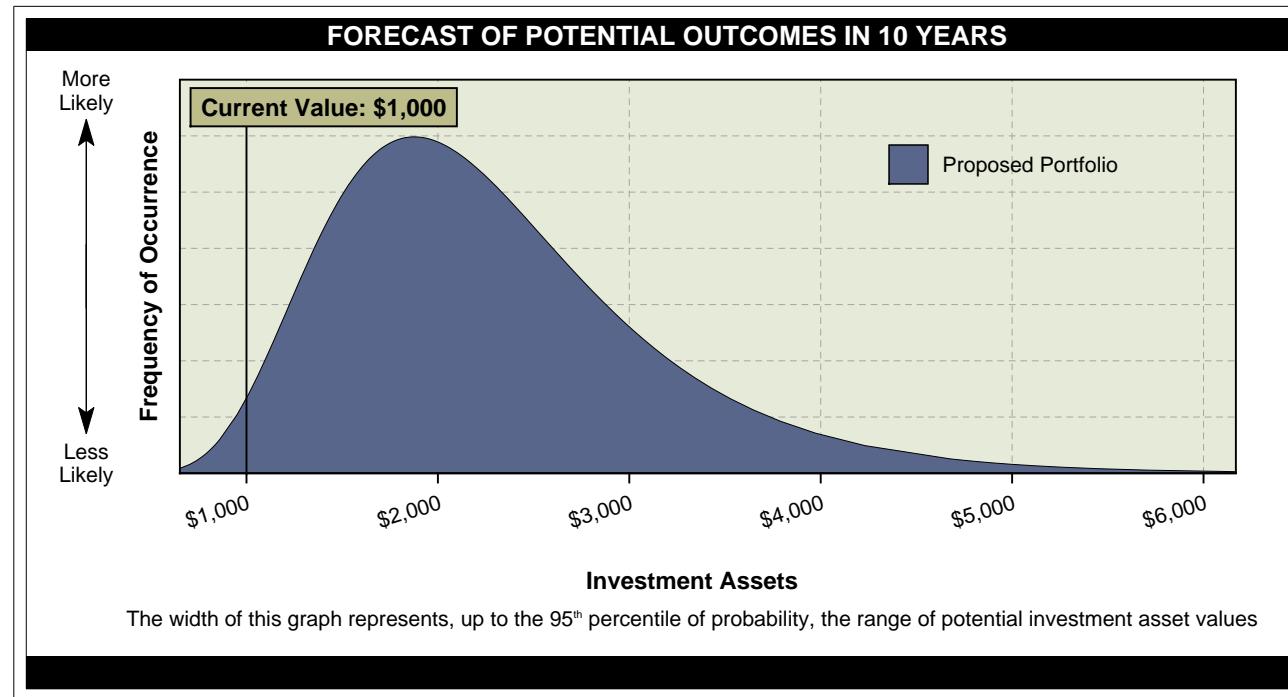
We can work together to evaluate the risk and return associated with your current and proposed asset allocations, and help you build a balanced portfolio.

This analysis uses Merrill Lynch forward-looking rates of return representing performance outlook for various asset categories for the next 25 years.

### KEY POINTS

- The risk associated with the proposed asset allocation is consistent with your risk tolerance and provides a balanced relationship between risk and return.

## YOUR POTENTIAL WEALTH



### KEY POINTS

- The bell curve represents a snapshot of the potential future value of your investment assets in 10 years.
- The width of the bell curve represents the range of potential outcomes associated with the portfolio.
- The height of the bell curve represents the relative frequency of the outcomes. Values with a high frequency of occurrence are more likely than those with a low frequency. For example, the highest point on the bell curve represents the most likely outcome.

The outcomes shown are not guaranteed and your actual results could differ significantly for many reasons. Additional information about the assumptions used in this analysis is provided under the heading “*Analysis: Your Potential Wealth*” in Appendix A.

## POTENTIAL VALUE OF YOUR INVESTMENT ASSETS IN 10 YEARS

The value of your portfolio over time will continue to depend on market and economic conditions. Since some investments are more sensitive to these conditions than others, the forecasted value of your portfolio will be influenced by the allocation of your assets.

The above analysis illustrates the possible range of outcomes for your proposed asset allocations **10 years from now**, using various assumptions discussed on the next page and under the heading “*Analysis: Your Potential Wealth*” in Appendix A.

## YOUR POTENTIAL WEALTH (CONTINUED)

POTENTIAL OUTCOMES AT VARIOUS PROBABILITIES			
	80% Probability	50% Probability	33% Probability
Proposed Asset Allocation	\$1,000	\$2,000	\$2,000

### HOW TO READ THIS TABLE

- The values presented in the table represent values in a range of potential outcomes at various probabilities (based on the assumptions noted below). For example, at the 80% probability level, there is an 80% probability that the forecasted future values may equal or exceed the amount shown in the table, and a 20% probability that they may be less than the amount shown.

## IMPORTANT DISCLOSURES

The Assessing Your Goals Report utilizes probabilistic (Monte Carlo) modeling which is a statistical modeling technique in which a set of future outcomes are forecasted based on the variability or randomness associated with historical occurrences. In this report, a probabilistic approach is used to determine the likelihood that you may be able to achieve your stated goals and to identify a range of potential wealth outcomes that could be realized. It involves generating thousands of scenarios, each simulating the growth of assets over a specified period of time, taking into account a variety of factors, such as economic conditions, the allocation of assets, portfolio value, cash flow and market volatility. The analysis presented is not a guarantee, prediction or projection of any particular result and your actual results may vary materially. Rather, this analysis is directional in nature and can be used to help you evaluate how certain decisions or strategies may impact your ability to achieve your goals. You should also understand that probabilistic modeling does not analyze specific security holdings, but instead analyses the identified asset allocation and identified cash inflows and outflows. The results of the Assessing Your Goals report can change over time and with each use if any of the underlying assumptions or profile data is adjusted. In addition, this analysis does not present the results that could occur from an extreme market event, either positive or negative, due to the low probability of such an occurrence.

**IMPORTANT: The projections or other information generated by the Assessing Your Goals report regarding the likelihood of the various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.**

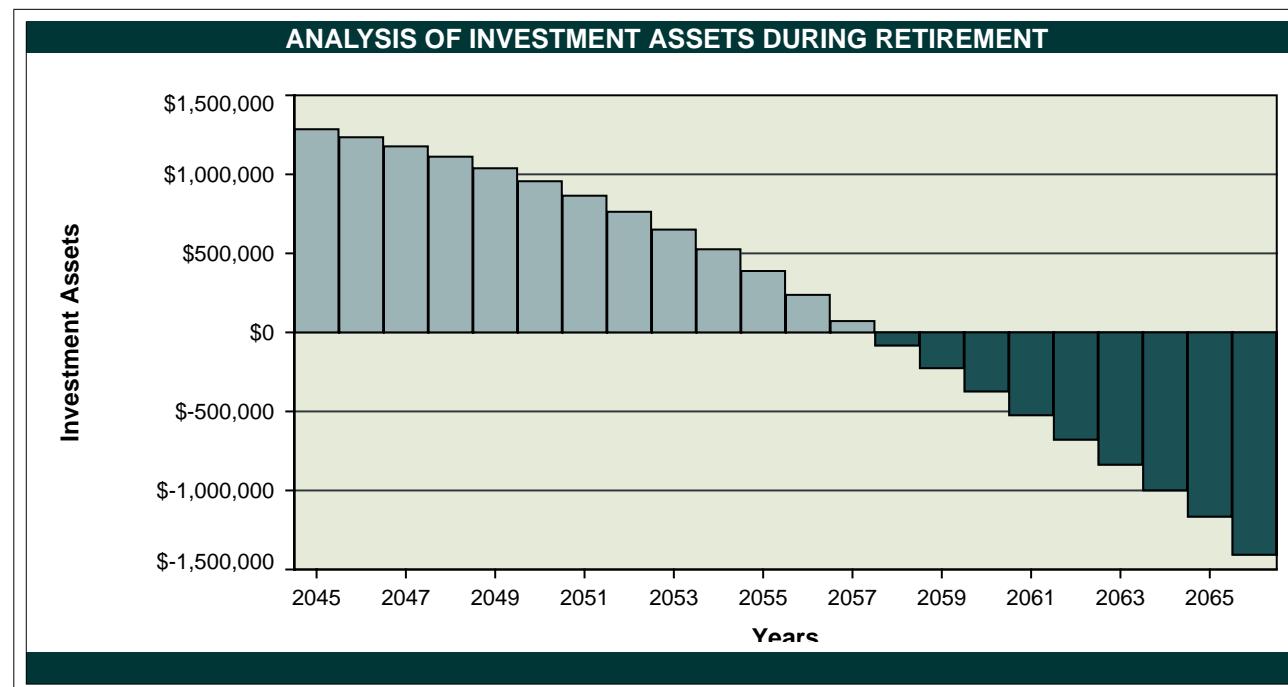
For further information, you should carefully review the explanation of the methodology used, including key assumptions, which is provided in this report. For more specifics on probabilistic modeling, including the capital market assumptions used in this analysis, see Appendix A of this report. Assumptions regarding asset allocation, portfolio value, and cash inflow and outflows are based on information you provided and are identified in Appendix B.

In addition, this analysis assumes that the portfolios are annually rebalanced to be consistent with the respective asset allocation, dividends and income are reinvested and that the portfolio is diversified within each asset class (i.e., that there are no concentrated stock positions).

To provide context for the rate of return assumptions used in these analyses, the following are the 25 year forward-looking return assumptions associated with the proposed portfolio for the stated probability levels:

- 5.15% with an 80% probability
- 7.20% with a 50% probability
- 8.27% with a 33% probability

## RETIREMENT ANALYSIS



The graph above illustrates the potential growth and depletion of your investment assets throughout your retirement.

## YOUR RETIREMENT GOALS

Planning for a comfortable, financially secure retirement lifestyle is an important objective in the creation of your wealth management strategy. Your ability to maintain your retirement lifestyle will depend on a variety of factors, including your savings, sources of retirement income, asset allocation, the effects of market volatility, the management of your retirement savings plans and the impact of taxes and inflation.

The assumptions used in the retirement assessment include:

- The retirement analysis begins in 2045, when JOHN is retired.
- Your desired retirement lifestyle of \$75,000 will increase by an annual inflation rate of 2.50%.
- You continue to contribute to your tax-deferred retirement plans up to the year 2045.

## KEY POINTS

- You indicated that you want to retire in 2045 with a desired annual lifestyle of \$75,000.
- According to our analysis, your income and investment assets may not be sufficient to cover your anticipated retirement lifestyle goal of \$75,000.
- A modified retirement lifestyle of \$62,000 may be attainable based on the information you provided.

## RETIREMENT ANALYSIS (CONTINUED)

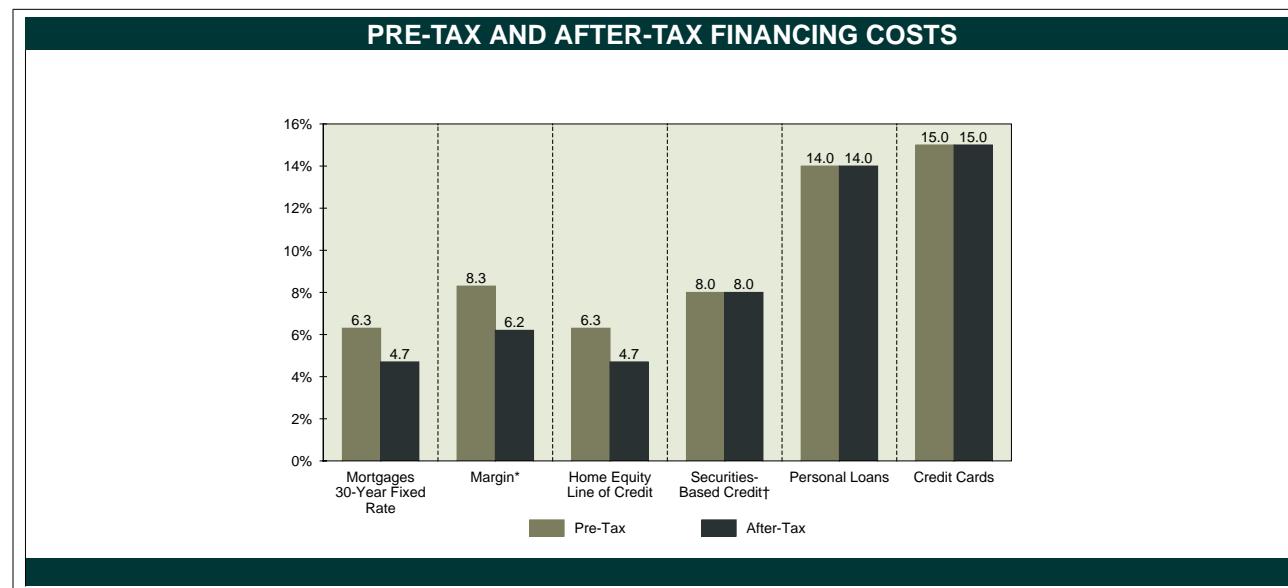
RETIREMENT CASH FLOWS							
Year	Retirement Income	Return on Investment	Total After-Tax Income	Anticipated Expenses	Annual Surplus/ (Deficit)	Remaining Balance	
						Portfolio and Other Assets	Retirement Assets
Starting Balance:						\$5,774	\$1,253,855
2045	\$127,390	\$301	\$127,692	\$177,990	(\$50,299)	\$0	\$1,285,125
2046	\$78,362	\$0	\$78,362	\$182,440	(\$104,078)	\$0	\$1,234,386
2047	\$80,321	\$0	\$80,321	\$187,001	(\$106,680)	\$0	\$1,176,702
2048	\$82,329	\$0	\$82,329	\$191,676	(\$109,347)	\$0	\$1,111,510
2049	\$84,388	\$0	\$84,388	\$196,468	(\$112,080)	\$0	\$1,038,208
2050	\$86,497	\$0	\$86,497	\$201,380	(\$114,882)	\$0	\$956,148
2051	\$88,660	\$0	\$88,660	\$206,414	(\$117,754)	\$0	\$864,639
2052	\$90,876	\$0	\$90,876	\$211,575	(\$120,698)	\$0	\$762,935
2053	\$93,148	\$0	\$93,148	\$216,864	(\$123,716)	\$0	\$650,242
2054	\$95,477	\$0	\$95,477	\$222,286	(\$126,809)	\$0	\$525,705
2055	\$97,864	\$0	\$97,864	\$227,843	(\$129,979)	\$0	\$388,411
2056	\$100,310	\$0	\$100,310	\$233,539	(\$133,228)	\$0	\$237,379
2057	\$102,818	\$0	\$102,818	\$239,377	(\$136,559)	\$0	\$71,561
2058	\$105,389	\$0	\$105,389	\$245,362	(\$139,973)	(\$82,626)	\$0
2059	\$108,023	\$0	\$108,023	\$251,496	(\$143,472)	(\$226,099)	\$0
2060	\$110,724	\$0	\$110,724	\$257,783	(\$147,059)	(\$373,158)	\$0
2061	\$113,492	\$0	\$113,492	\$264,228	(\$150,736)	(\$523,894)	\$0
2062	\$116,329	\$0	\$116,329	\$270,833	(\$154,504)	(\$678,398)	\$0
2063	\$119,238	\$0	\$119,238	\$277,604	(\$158,367)	(\$836,764)	\$0
2064	\$122,218	\$0	\$122,218	\$284,544	(\$162,326)	(\$999,090)	\$0
2065	\$125,274	\$0	\$125,274	\$291,658	(\$166,384)	(\$1,165,474)	\$0
2066	\$57,939	\$0	\$57,939	\$298,949	(\$241,010)	(\$1,406,485)	\$0

### KEY POINTS

- This table illustrates the year-by-year cash flows that correspond to the Analysis of Investment Assets During Retirement graph.

The table above illustrates the potential growth and depletion of your investment assets throughout retirement.

## CREDIT & LENDING



\*'Margin' indicates a securities-based line of credit which is typically used for investment purposes.

†Includes securities-based secured loans which are typically used for general financing purposes.

The pre-tax rates illustrated are based on Merrill Lynch estimates of national average rates, as of 04/01/2004, and may not reflect current market rates. The after-tax rates are based on your effective tax rate of \$25.00%.

### KEY POINTS

- Developing strategies to efficiently manage your credit may have a significant impact on your ability to achieve your broader financial goals.

## Managing Your Credit & Lending Needs

Credit and lending management is a strategic complement to asset management that comprises your home financing, personal credit and investment financing needs.

Building net worth requires you to manage what you owe as well as what you own.

Your Financial Advisor can assist you in developing effective credit management strategies to achieve your goals, such as:

- Discussing whether your home financing strategy complements your overall wealth management plan.
- Exploring the potential benefits and risk associated with no down payment and interest-only mortgages.
- Exploring potentially Increasing the tax deductibility of your mortgages and credit lines.

- Restructuring high-rate, non-deductible consumer debt with lower-rate securities-based credit or available home equity.
- Evaluating whether financing could assist your asset diversification strategy.

## ISSUES TO CONSIDER

### Investment Planning

Allocating your assets is the crucial first step in managing risk and building wealth. As we progress through the Wealth Management Process, we will assist you as you:

- Evaluate your investments within each asset class to determine whether your portfolio is diversified.
- Evaluate the benefits of tax-favored savings vehicles.
- Explore tax efficiency in your asset allocation strategy.
- Establish a reserve fund for emergencies or other contingencies. A general guideline is to keep enough money in cash at all times to cover three to six months worth of expenses.
- Consider options such as a no down payment or interest-only mortgage. Both enable you to maintain your investment strategy without liquidating your portfolio for the down payment. (Note that these strategies may not yield the desired results if interest expense exceeds the actual return on the investment.)
- Evaluate whether financing could assist your asset diversification strategy.
- Consider leveraging your investment portfolio to meet upcoming funding needs with securities-based solutions rather than liquidating assets or disrupting your investment strategy. These solutions may also help you defer potential capital gains taxes.  
(Securities-based financing involves special risks, which you should consider carefully. For more infor-

mation, refer to Appendix A: Explanation of Analyses and Assumptions.)

### Near-Term Savings and Everyday Cash Management

In addition to strategic investment planning, it is important to consider solutions to manage your everyday and near-term cash, spending and expenses.

- Consider consolidating your deposit and payment services — like checking, debit card, and automatic bill payment — into a single account with a choice of near-term cash investment and savings alternatives.
- Consider cash-management strategies for your near-term goals that can potentially boost yields while providing safety and liquidity, including a laddered portfolio of CDs and short-term Treasury bonds.
- Consider interest-only loan payments when you need liquidity and flexibility.

## Wealth Transfer and Estate Preservation

You may want to consider estate-planning strategies to transfer your assets efficiently and minimize the shrinkage of your estate. You may also want to review key estate-planning documents, which can be crucial to ensuring that your assets pass to your intended heirs. Some potential next steps include:

- Meet with your attorney to establish a will, trusts and other legal documents.
- Review the beneficiary designations on your employer and individual retirement plans, life insurance policies, annuities, and pensions.
- Discuss with your advisors the ownership of your assets and life insurance policies.
- Meet with your tax professional to review the potential tax implications of estate planning strategies.

## Education Funding

The following table reflects the anticipated cost of a four-year education at a private college or university in the year that your children will begin attending school.

ANTICIPATED EDUCATION EXPENSES		
Name	College Start Year	Future Cost*
JOHNNY	2017	\$207,003
JANIE	2020	\$239,632

*\*Average tuition, room and board at a 4-year private university with a 5% college inflation rate.*

The assets required at a 4.5% after-tax rate of return to fully fund the anticipated cost of the average private college are:

- \$142,706 of assets invested today, or \$23,976 of annual savings for JOHNNY
- \$144,764 of assets invested today, or \$18,048 of annual savings for JANIE

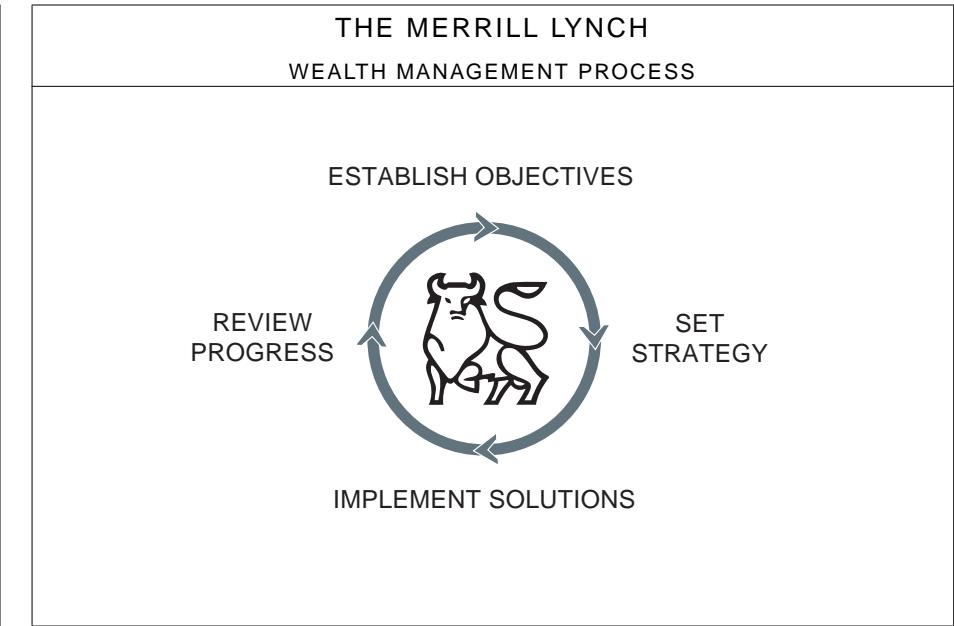
Together, we can help you evaluate customized savings, investment and borrowing strategies, such as leveraging securities-based or home equity credit lines, which may help you achieve your education funding goals.

## IDENTIFYING YOUR NEXT STEPS

The creation of a wealth management strategy is an ongoing process. Our analyses, advice and guidance in the selection and creation of strategies can help you achieve your goals and objectives. The analyses can be a part of a formal, comprehensive financial plan, or can be selected individually. These analyses include:

- Allocating Your Assets
- Investment Financing Analyses
- Credit Restructuring Analyses
- Home Purchase/Refinance
- Retirement Planning
- Wealth Transfer and Estate Planning
- Education Funding

The creation of a wealth management strategy is an ongoing process. Assessing Your Goals is a brokerage report which, along with your Financial Advisor's advice and guidance, can assist you in identifying and creating strategies that can help you achieve the investment goals and objectives discussed below. It is important for you to understand that this report is not a comprehensive financial plan. If you are interested in a formal analysis of your entire financial situation, ask your Financial Advisor about Merrill Lynch's financial planning services, including the fees that may be applicable.



## APPENDIX A: ADDITIONAL INFORMATION

THIS REPORT IS FURNISHED ON A CONFIDENTIAL BASIS FOR THE IMMEDIATE USE OF THE RECIPIENT, IT IS FOR DISCUSSION PURPOSES ONLY AND IS SUBJECT TO COMPLETION OR AMENDMENT.

The information contained in this report is not intended to be either a specific offer by any Merrill Lynch entity to sell or provide, or a specific invitation to apply for, any particular retail financial product or service that may be available through the Merrill Lynch family of companies. It is important for you to understand that it is your responsibility to determine if, and how, the suggestions made in connection with this report should be implemented. You should carefully consider all relevant factors in making these decisions, and are encouraged to consult with any of your outside professional advisors. In particular, Merrill Lynch does not provide legal or tax advice. We recommend that you consult with your lawyer, accountant or other advisor about questions affecting your individual circumstances. You are not required to transact business with Merrill Lynch or to implement any of the suggestions made in connection with this report. If you choose to implement through Merrill Lynch any or all of the suggestions made in connection with the report, Merrill Lynch will be acting solely as broker-dealer, not as an investment advisor (unless otherwise agreed in writing) and may execute transactions for your account as agent or principal.

### Explanation of Analyses and Assumptions

The analyses, suggested asset allocations, potential liability management solutions and recommendations contained in this report are based on:

- Information you provided in the questionnaire.
- Appropriate financial concepts.
- Investment assumptions pertaining to your current and proposed portfolio, and individual asset classes.

Your total investment assets and liabilities are the basis for all analyses in this report. The balance of your total investment assets does not include "Other Assets", such as business interests and investment real estate.

Securities-based loans — including home mortgage loans secured in part by securities — have special risks. When considering a securities-based loan, you should consider your requirements, portfolio composition and risk tolerance, as well as potential capital

gains taxes, portfolio performance expectations and investment time horizon. A decrease in the market value of your pledged securities may require the deposit of additional funds or assets, known as a "maintenance call" or "collateral call". Your assets may be sold to meet a maintenance call, the firm can sell your assets without notifying you, and you are not entitled to choose which securities in your account will be sold. You are not entitled to an extension of time to meet a maintenance call. Some or all of your pledged assets may be sold at prices higher than the initial purchase cost. If those assets are sold, you may suffer adverse tax consequences. You should discuss with your tax advisor the tax implications of pledging your assets as loan collateral.

Market fluctuations have a greater effect when you use a securities-based loan such as margin to purchase additional securities. The securities you borrow against, as well as the securities you purchase, are subject to advances and declines simultaneously. You must maintain the necessary resources to meet maintenance calls and absorb losses from price declines.

In addition to these risks, if your mortgage loan is secured by securities collateral, a default on the loan could result in the loss of your home and all or part of the securities you pledge.

Loans with variable interest rates and/or interest-only payments have certain risks and may not be appropriate for all borrowers. If the interest rate increases, your required monthly payment and interest expense will increase. Certain loans do not have a limit (known as "cap") on the amount that the interest rate can increase at any one time. Loans with interest-only payment features mean that your principal balance is not reduced during the interest-only period unless you choose to pay more than the minimum payment. Once principal starts to amortize, your monthly payments will increase. Also, depending upon the type of loan that you have, you could be required to pay the full amount of principal and interest due at the end of the loan term (a "balloon payment").

The GWM Investment Management & Guidance developed the analytics used to create this report. The validity of recommendations and analyses contained in this report is dependent upon the accuracy and thoroughness of the data provided by you. The use of different data will result in different results.

## Investment Assumptions

- The returns and values that are used in the graph labeled “Historical Variation of Returns between 1950 and 2009” are based on the historical performance of various asset classes. Historical returns are provided only for illustration purposes and are not projections or guarantees of future results. The performance of your portfolio may differ significantly from the historical performance of the related asset classes.
  
- The rates applied to equities and the equity portions of the current and proposed asset allocations are represented by the total return of the S&P 500 Index. Historical performance data is based on a standard deviation of 17.2% and average annual return of 10.7% during the time period between 1950 and 2009. The rates applied to fixed income and the fixed income portion of the current and proposed asset allocations are represented by the total return of Long-Term U.S. Government Bonds. Historical performance data is based on a standard deviation of 10.2% and an average annual return of 6.1% during the time period between 1950 and 2009. The rates applied to cash and the cash portions of the current and proposed asset allocations are represented by the total return of U.S. 30-day Treasury Bills. Historical performance data is based on a standard deviation of 2.9% and an average annual return of 4.8% during the time period between 1950 and 2009.
  
- The returns used to create the graphs titled The Efficient Frontier and the Analysis of Investment Assets During Retirement, and the table titled Retirement Cash Flows, are estimated returns developed by Merrill Lynch and are presented for informational purposes only. These assumptions are not guarantees or projections of future results and the actual performance of your portfolio may differ significantly from the asset class return assumptions presented.

## Analysis: A View of Your Total Portfolio

The proposed asset allocation is based on one of Merrill Lynch's five investor profile models. These percentages may be periodically modified to reflect changes in the asset's expected performance. You should regularly review your asset allocation with your Financial Advisor.

## Analysis: The Benefits of a Diversified Portfolio: A Historical View

This analysis illustrates the highest, geometric average and lowest annual 12-month return for equity, fixed income, cash, and the proposed portfolio during the period 1950-2009. If you have provided information about your current assets, this analysis also will include your current portfolio. The highest, geometric average and lowest annual 12-month return for the current and proposed portfolios are determined using a weighted average of each of the asset classes. (i.e., equity, fixed income, and cash).

## Analysis: Enhancing the Efficiency of Your Portfolio

This analysis illustrates the relationship between investment risk and return for the proposed asset allocation and a set of “efficient” portfolios. If you have provided information about your current assets, this analysis also will include your current portfolio. The volatility of your current portfolio may have been adjusted based on information you provided regarding your portfolio's current level of diversification. Efficient portfolios are represented by the curved line labeled “Efficient Frontier”. This line is formed by plotting and connecting the set of efficient portfolios — portfolios that offer the highest return for a given level of risk (or vice-versa — lowest risk for a given level of return). Efficient and proposed portfolios assume unity, and do not hold any short positions. In addition, proposed portfolios may have maximum and minimum constraints associated with various asset classes. The actual risk and individual returns of these portfolios may substantially differ from the risk and return values shown in the graph. Risk in this analysis is defined as standard deviation, a statistical formula used to describe the degree to which individual returns vary from an investment's historical average return.

## Analysis: Your Potential Wealth

**IMPORTANT: The projections or other information generated by the Assessing Your Goals Report regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results.**

## Probabilistic Forecasting Return Assumptions

The probabilistic analysis contained in this report uses returns developed by Merrill Lynch. The rates of return reflect the range of potential performance outcomes for

each asset class over the next 25 years and are presented for informational purposes only. These assumptions are not guarantees or projections of future results. The actual performance of your portfolio may differ significantly from the asset class return assumptions. Merrill Lynch has in the past changed its outlook on the range of potential performance outcomes for each asset class and will make future changes as appropriate.

ASSET CLASS RATES OF RETURN				
Asset Class	Standard Deviation	Confidence Level		
		80%	50%	33%
Equities	18.0%	5.1%	8.0%	9.6%
Fixed Income	7.5%	3.8%	5.0%	5.7%
Cash	0.9%	2.8%	3.0%	3.1%

Equities are assumed to return 1.75% in dividends.

#### **Additional Assumptions:**

- Analyses regarding the proposed allocation do not take into account capital gains taxes incurred by reallocating from your current asset allocation.
- Annual rebalancing of portfolios consistent with the asset allocation used in the analysis.
- Transaction costs are not included.
- Dividends and income are reinvested to the extent not used to fund annual spending.
- Equity turnover (the portion of your equity portfolio subject to capital gains each year) is assumed to be 25%.
- Retirement Assets represent your tax-deferred accounts and are estimated based on continued tax-deferred growth and continued employer and employee contributions through the pre-retirement years, which is based on the information you provided.

Distributions from the balance are made when:

- Assets are needed to cover deficits
- Minimum distributions from qualified retirement plans and IRAs are required

## APPENDIX B: ASSESSING YOUR GOALS — CLIENT PROFILE

### PERSONAL INFORMATION

- 1 Name
- 2 Date of Birth (M/D/Y)
- 3 Marital Status
- 4 Gender
- 5 Social Security No.
- 6 Home Address

CLIENT 1									
JOHN S. FAILURE									
1/1/1980									
3	Married	<input type="checkbox"/>	Single	<input type="checkbox"/>	Widow(er)	<input type="checkbox"/>			
4	Male	<input type="checkbox"/>	Female	<input type="checkbox"/>					
****-**-****									
MAIN STREET									
<hr/> <hr/> <hr/>									
City AUBURN State AL Zip 00000									
7	Business Phone					Ext.			
<hr/>						Ext.			
Home Phone						Ext.			
E-mail Address						Ext.			
8	Do you have wills?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
<i>If Yes, have you reviewed them in the past 3 years?</i>						<input type="checkbox"/>	Yes	<input type="checkbox"/>	No
9	Have you reviewed your beneficiary designations?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
<i>(retirement plans, pensions, annuities)</i>						<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
10	Do you have life insurance?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
<i>Life Insurance Death Benefit Amount</i>						<hr/>			
<i>(personally owned)</i>						<hr/>			

CLIENT 2					
JANE S. FAILURE					
1/1/1981					
3	Domestic Partners	<input type="checkbox"/>	Separated	<input type="checkbox"/>	Divorced
4	Male	<input type="checkbox"/>	Female	<input checked="" type="checkbox"/>	
****-**-****					
<hr/>					
Ext.					
<hr/>					
Ext.					
<hr/>					
Ext.					
<hr/>					

## APPENDIX B: ASSESSING YOUR GOALS — CLIENT PROFILE (CONTINUED)

11 How many children/grandchildren would you like to include in this assessment?

2

*List the first name, gender and date of birth for all of your children/grandchildren that you would like to include in this assessment. Include any planned children/grandchildren and expected years of birth.*

First Name	Date of Birth	Relationship
A JOHNNY	1/1/1999	<input checked="" type="checkbox"/> Child <input type="checkbox"/> Grandchild
B JANIE	1/1/2002	<input checked="" type="checkbox"/> Child <input type="checkbox"/> Grandchild
C		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
D		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
E		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
F		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
G		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
H		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
I		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
J		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
K		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild
L		<input type="checkbox"/> Child <input type="checkbox"/> Grandchild

## PERSONAL GOALS & CASH FLOW

12 Some common financial goals are listed below. Please indicate which goals you would like to include in this assessment.

	Not Applicable	Important	Essential
Retirement Planning	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Income Tax Planning	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Education Planning	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Investment Planning	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Wealth Transfer & Estate Planning	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Managing Credit & Lending	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Managing Everyday Cash & Expenses	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Near-Term Savings Goals (Within 3 Years)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Other - _____	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other - _____	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## APPENDIX B: ASSESSING YOUR GOALS — CLIENT PROFILE (CONTINUED)

13 What is your Anticipated Retirement Age?

Please indicate if currently retired

Client 1: 65

Currently Retired

Client 2: 65

Currently Retired

14 What is your anticipated annual retirement lifestyle (after tax in today's dollars)?

\$75,000

15 Annual Taxable Investment Savings for Retirement:

\$2,000

16 Annual Taxable Investment Savings for Other Goals:

\$2,000

17 Annual Tax-Deferred Investment Savings

Client 1: \$5,000

Client 2: \$2,000

18 What is your current effective income tax rate?

25 %

19 What is your estimated effective income tax rate during retirement?

25 %

20 What source of income do you anticipate during retirement (e.g., Social Security, Defined Benefit pension plans)?

	Description	Client				Annual Amount	Start Year	Duration	COLA		
(1)	Social Security	<input checked="" type="checkbox"/>	C1	<input type="checkbox"/>	C2	<input type="checkbox"/>	Joint	<u>\$22,449</u>	2045	Rest of Life	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
								[ ] Manual	<input checked="" type="checkbox"/> Earnings-Based <input type="checkbox"/> Maximum Benefit		
(2)	Social Security	<input type="checkbox"/>	C1	<input checked="" type="checkbox"/>	C2	<input type="checkbox"/>	Joint	<u>\$18,458</u>	2046	Rest of Life	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
								[ ] Manual	<input checked="" type="checkbox"/> Earnings-Based <input type="checkbox"/> Maximum Benefit		
(3)		<input type="checkbox"/>	C1	<input type="checkbox"/>	C2	<input type="checkbox"/>	Joint			<input type="checkbox"/> Yes <input type="checkbox"/> No	
(4)		<input type="checkbox"/>	C1	<input type="checkbox"/>	C2	<input type="checkbox"/>	Joint			<input type="checkbox"/> Yes <input type="checkbox"/> No	
(5)		<input type="checkbox"/>	C1	<input type="checkbox"/>	C2	<input type="checkbox"/>	Joint			<input type="checkbox"/> Yes <input type="checkbox"/> No	
(6)		<input type="checkbox"/>	C1	<input type="checkbox"/>	C2	<input type="checkbox"/>	Joint			<input type="checkbox"/> Yes <input type="checkbox"/> No	
(7)		<input type="checkbox"/>	C1	<input type="checkbox"/>	C2	<input type="checkbox"/>	Joint			<input type="checkbox"/> Yes <input type="checkbox"/> No	
(8)		<input type="checkbox"/>	C1	<input type="checkbox"/>	C2	<input type="checkbox"/>	Joint			<input type="checkbox"/> Yes <input type="checkbox"/> No	

## INCOME, ASSETS & LIABILITIES

### 21 Income

Annual Salary (including Bonus and Commissions):

	CLIENT 1
Annual Salary (including Bonus and Commissions):	\$75,000
Other Taxable Income	_____
Tax-Free Income	_____

	CLIENT 2
Annual Salary (including Bonus and Commissions):	\$50,000
Other Taxable Income	_____
Tax-Free Income	_____

## APPENDIX B: ASSESSING YOUR GOALS — CLIENT PROFILE (CONTINUED)

22 Do you want to review your current asset allocation vs. a proposed model?  Yes  No

*If you would like for this assessment to include a comparison of your current asset allocation to a proposed asset allocation, please provide the details of your Taxable and Tax-Deferred Holdings:*

<b>Taxable Investment Holdings</b>	<b>Total</b>	\$1,000
Equities:	<hr/>	
Taxable Bonds:	<hr/>	
Tax-Free Bonds:	<hr/>	
Cash:	<hr/>	
<b>Tax-Deferred Investment Holdings</b>	<b>Total</b>	<hr/>
Equities:	<hr/>	
Bonds:	<hr/>	
Cash:	<hr/>	
Would you classify the equity portion of your investment portfolio as broadly diversified?		
<i>If No, in terms of risk, how aggressive is the equity portion of your investment portfolio:</i>		
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Aggressive <input type="checkbox"/> Moderate <input type="checkbox"/> Conservative		
What is the percentage ownership of your Total Tax-Deferred Investment Assets		
Client 1 <u>80</u> % Client 2 <u>20</u> %		

23 Does any single position represent greater than 15% of your total investment portfolio?  Yes  No

*If Yes, what percentage does this position represent of your total investment portfolio:*

*What is the name/ticker of the position?*

24 Other Investment Assets:

Business Interests 

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Investment Property 

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Other Investment Assets 

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25 Do you have vested or non-vested stock options?  Yes  No

*If Yes, what is the estimated value of all vested and non-vested stock options?*

26 Personal Assets

Primary Residence: \$200,000 

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Secondary Residence: 

---

Other Personal Assets: \$50,000 

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## APPENDIX B: ASSESSING YOUR GOALS — CLIENT PROFILE (CONTINUED)

### 27 Liabilities

Primary Residence Mortgage	\$150,000			
Interest Rate	6.000%			
[X] Fixed    [ ] Fixed-to-Adjustable    [ ] Adjustable				
Months Remaining	220			
Holding Period (Years)	20			
Adjustable Period Begins				
Secondary Residence Mortgage				
Interest Rate				
[ ] Fixed    [ ] Fixed-to-Adjustable    [ X ] Adjustable				
Months Remaining				
Holding Period (Years)				
Adjustable Period Begins				
Investment Property Mortgages				
Home Equity Credit Lines/Loans				
Securities-Based Loans (Margin)				
Average Interest Rate				
Securities-Based Loans (Non-Margin)				
Average Interest Rate				
Unsecured Credit Balances				
Average Interest Rate				
Other Debt				
Are you planning to buy or build a home within the next year?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
Do you expect any major purchases or funding needs within the next year?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No

### 28 Which of the following services do you use at other banks, credit unions or brokerage firms?

<input type="checkbox"/> Investment/Brokerage Accounts	<input type="checkbox"/> Savings or Money Market Accounts	<input type="checkbox"/> Retirement Plan Accounts (e.g., 401K)
<input type="checkbox"/> IRAs	<input checked="" type="checkbox"/> Checking Accounts	<input type="checkbox"/> Trust Accounts
<input type="checkbox"/> Certificates of Deposits (CDs)	<input checked="" type="checkbox"/> Mortgage Loans	<input type="checkbox"/> Personal Loans
<input type="checkbox"/> Direct Deposit	<input checked="" type="checkbox"/> ATM Services	<input checked="" type="checkbox"/> Online Banking
<input type="checkbox"/> Credit Card	<input type="checkbox"/> Debit Card	<input type="checkbox"/> Rewards Program
<input type="checkbox"/> Automatic Bill Payment		

## APPENDIX B: ASSESSING YOUR GOALS — CLIENT PROFILE (CONTINUED)

29 Which of the following best describes your current approach to investing?

Primarily invest in individual securities  
 Primarily invest in mutual funds  
 Use professional money management  
 Combination

30 How would you describe your current investment service model?

Pay for each transaction and service selected  
 Pay annual asset based fee for financial services  
 Combination

### RISK TOLERANCE & ASSET ALLOCATION

31 A Proposed Asset Allocation Model will be presented as a result of this profile questionnaire. There are 2 methods of selecting an appropriate asset allocation model for you. You can:

**A** Complete a series of short questions to assess your risk tolerance and identify a suitable investment portfolio (available in Appendix)  
**(OR)**

**B** Choose the description of the Asset Allocation Model that most accurately reflects your tolerance for risk and your profile as an investor (select one of the following models):

**Conservative** - An investor using the conservative model is very risk averse. The primary emphasis is on portfolio stability and maintaining investment capital. Adjusted for inflation, investment returns may be very low or, in some years, negative, in exchange for high liquidity and reduced risk of principal loss. A typical portfolio will be heavily weighted to Cash and Fixed Income investments.

**Moderately Conservative** - An investor using the moderately conservative model is somewhat risk averse, however, also wants to achieve a modest level of portfolio appreciation. An investor using this model should be willing to absorb some level of volatility and principal loss. A typical portfolio will include primarily cash and fixed income investments with some allocation to equities.

**Moderate** - An investor using the moderate model wants to strike a balance between portfolio stability and portfolio appreciation. An investor using this model should be willing to assume a moderate level of volatility and risk of principal loss. A typical portfolio will include a balance of Fixed Income and Equity exposure.

**Moderately Aggressive** - The moderately aggressive model is used by long-term investors who are willing to take a fair amount of portfolio risk to achieve portfolio growth. An investor using this model should be willing to assume a high level of portfolio volatility and risk of principal loss. A typical portfolio will have exposure to various asset classes but will be primarily weighted to equities.

**Aggressive** - The aggressive model is used by long-term investors who are willing to take substantial portfolio risk in seeking to achieve above average returns. An investor using this model should be willing to assume a high level of portfolio volatility and risk of principal loss. A typical portfolio will be heavily weighted to equities.