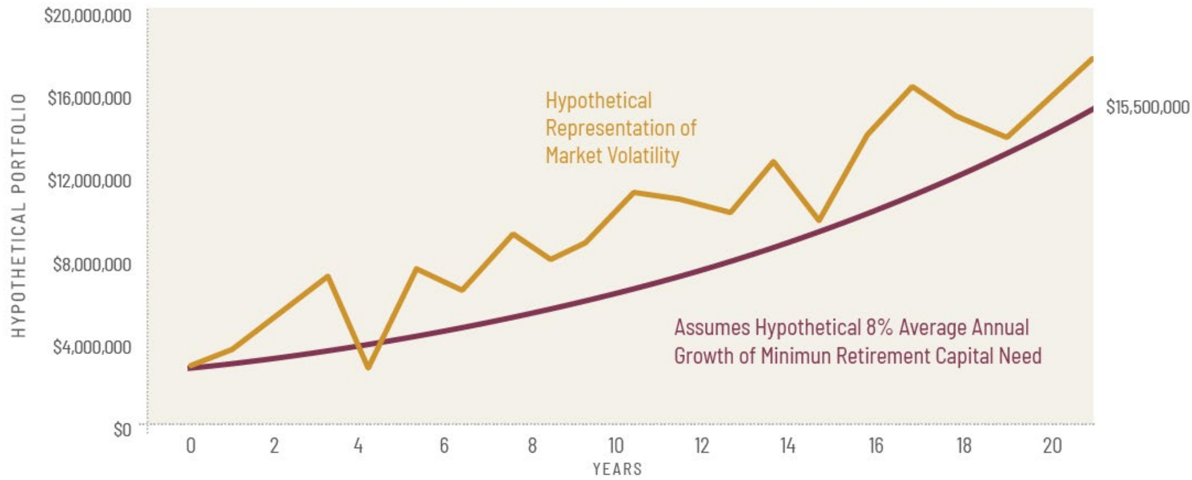
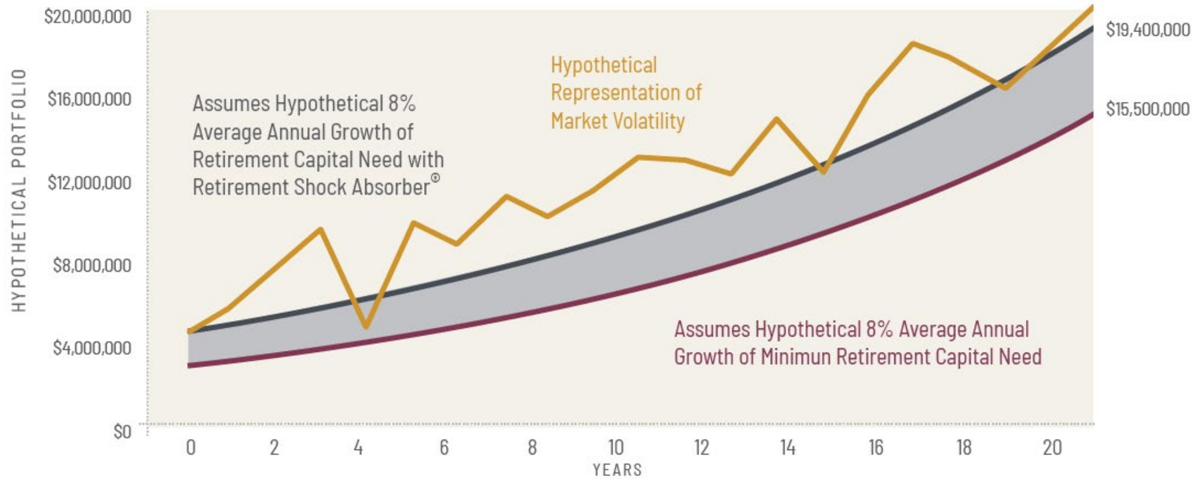
THE RETIREMENT SHOCK ABSORBER®





Invest with a Plan™

1. Illustrates a Hypothetical Retirement Plan and Portfolio within the context of a constantly fluctuating market environment without the benefit of buffer against the inevitable and uneven market fluctuations that occur in reality.

2. Illustrates a Hypothetical Retirement Plan that takes into account the unpredictable nature of the markets by applying ***The Retirement Shock Absorber.®***

No strategy assures success or protects against loss. This is a hypothetical example and is not representative of any specific investment. Your results may vary.

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THE RETIREMENT SHOCK ABSORBER®

What is the *Retirement Shock Absorber*®?

Retirement Shock Absorber® is a proprietary financial and retirement planning tool we utilize because we cannot control, or consistently predict, the inevitable ups and downs in the markets. Applying this strategy in the creation of a Wealth Plan helps your plan absorb negative market fluctuations.

Blue Line: The blue line represents a plan with a 20% cushion, or *shock absorber*, built in to the plan. The intent of a plan with *Retirement Shock Absorber*® is to help clients to weather difficult markets and still maintain their lifestyle.

Red Line: The red line represents the minimum capital need required by a hypothetical client in order to maintain lifestyle but does not accommodate portfolio fluctuations. People often make awkward portfolio decisions when their minimum capital is threatened.

Yellow Line: The yellow line is a dramatization of the moves that the markets and portfolios can make. It is a totally random expression of market volatility and does not reflect actual market returns for any time period.

Why do we use 20% as amount of buffer we recommend?
While the larger Retirement Shock Absorber® the better, we recommend at least a 20% cushion. The examples we use are:

1. During the 3 years from 12/31/99-12/31/2002 the annualized return of the S&P 500® Index was -14.44%. During that same time, the annualized return of Barclays Capital US Aggregate Bond Index was 10%. That would mean that a hypothetical portfolio that is diversified 60% to stocks and 40% to bonds would have declined overall 4.66% in that timeframe, which is well within the 20% cushion allowed for by Retirement Shock Absorber®.
2. For the year 2008, the S&P 500® Index declined -37.29%, while the Barclays Capital U.S. Aggregate Bond Index was up 5.55%, which translates into an overall decline of -20.18% for the same example of a hypothetical 60% stocks/ 40% bonds portfolio. Also of note, is that 2008 represented an uncommon occurrence referred to as an outlier year.

*Source: Data for calculations obtained from Morningstar, Inc. The S&P 500® Index is an unmanaged group of securities and considered to be representative of the stock market in general. The Barclays Capital U.S. Aggregate Bond Index is a broad base index often used to represent investment grade bonds being traded in United States. An index cannot be invested into directly.

Why an 8% average rate of return over time?
Most often, our clients have portfolios diversified in the following way:
60% equity/40% bonds. Looking back at 83 years of hypothetical portfolio returns:

- a portfolio invested 100% in stocks realized compounded average returns of 9.8%
- a portfolio invested 100% in bonds realized compound annual returns of 5.4%
- a portfolio allocated 60% to equities/40% to bonds realized compound annual returns of 8.1%

Therefore we have assumed an 8% return based on our 60/40 portfolio construction.
SOURCE: Morningstar, Inc. All rights reserved. © 2009. These returns assume reinvestment of income and no transaction costs or taxes. Stocks in this example are represented by the Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Bonds are represented by the five-year U.S. Government Bond. An investment cannot be made directly in an index.

What drives the construction of portfolios to achieve an 8% annualized rate of return?
Portfolios are constructed in different manners in order to help pursue the desired results. There are several drivers that we take into consideration in the management of the portfolio, in order to pursue the goals of the Wealth Plan. These include: Actual Inflation, Investment Returns, Repositioning / Rebalancing and Withdrawals.

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