

Asset Allocation Analysis

for

MR. & MRS. CLIENT

by

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Introduction

An Asset Allocation Plan will help you determine if you have the right mix of investments for your personal situation. This report has been prepared to assist you in this important decision.

Development of a personalized Asset Allocation Plan provides a disciplined and systematic approach to investing. It guides you from defining your personal investment objectives to determining a suitable portfolio. With all of the investment choices available, this plan helps you evaluate the many choices and create a well-designed plan specific to your needs.

The purpose of an Asset Allocation Plan is to determine how your investment assets will be divided among the available investment alternatives. Your plan will usually depend on your financial objectives, time horizon, risk tolerance, and present financial situation.

Your Asset Allocation Plan can determine over 90% of the performance of your investment portfolio. How you allocate your investment dollars far outweighs the potential effects of security selection and market timing. It is based on the Nobel-prize winning concepts of Modern Portfolio Theory—that through intelligent diversification you can protect against many investment risks. Gains in one investment may help offset losses in another.

It is important to keep in mind that the focus of this Asset Allocation Plan is based on your long-term objectives. These are usually plans that have been made for five years or more. It means taking a reasonable amount of investment risk in the expectation of higher returns. And, since time has a moderating effect on investment risk, the longer your investment time horizon, the more likely you will earn a positive return.

Following your Asset Allocation Plan can be a critical element in reaching your financial objectives. It should be carefully determined. And, it should be reviewed and rebalanced periodically.

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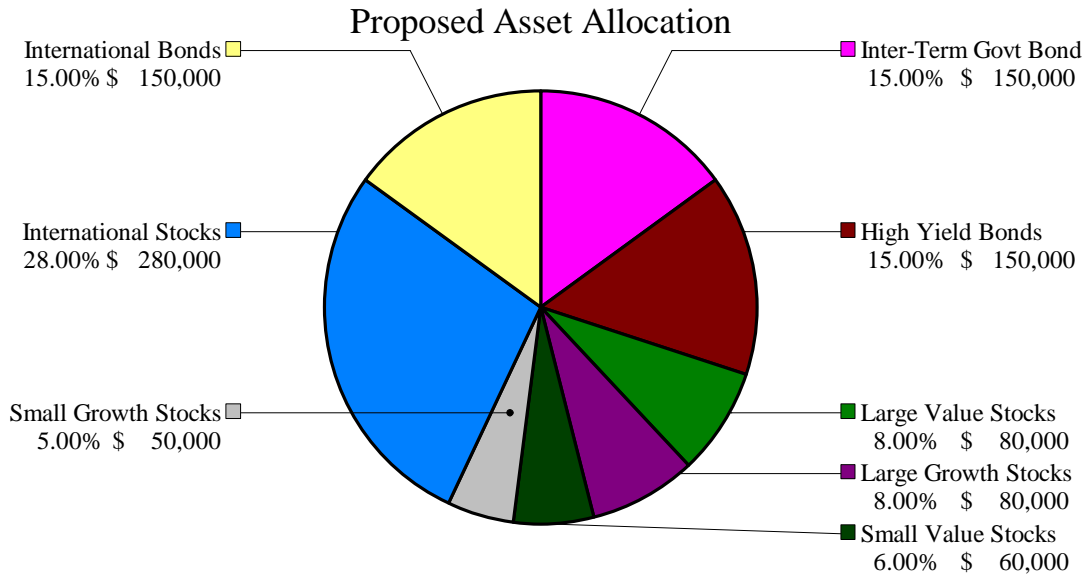
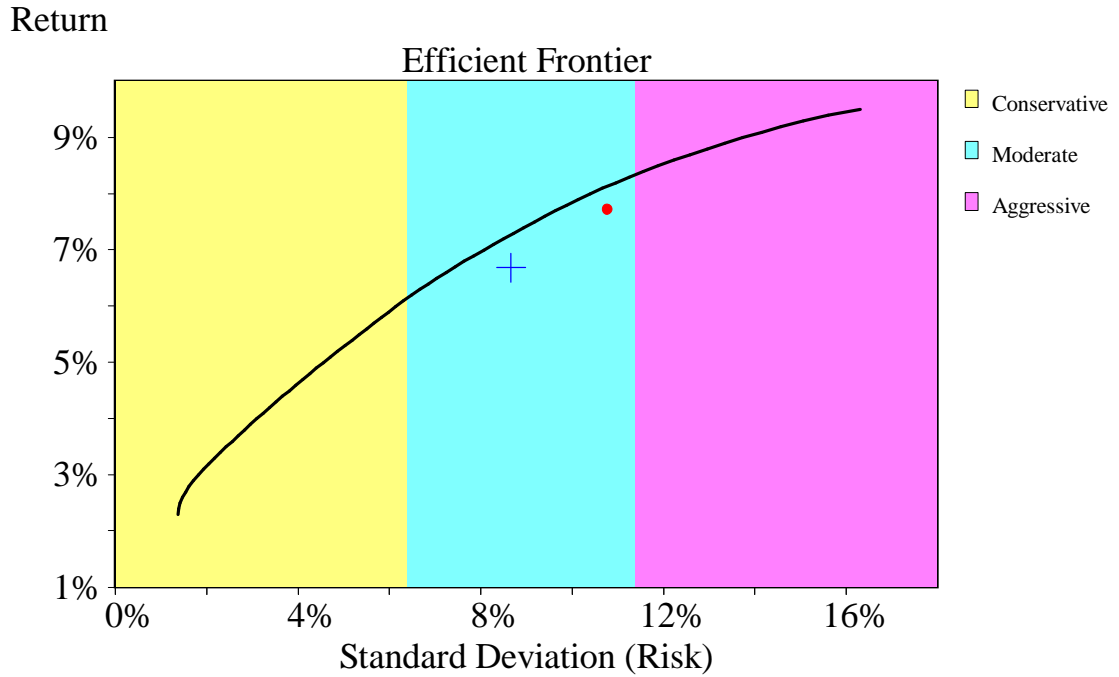
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This asset allocation analysis is provided to you for informational purposes only. Actual investment results may differ from the projected performance results portrayed in this report. This report uses information that is considered reliable, but it does not represent that the information is accurate or complete, and the report may not be relied upon as such. The report is not intended to be either an expressed or implied guaranty of actual performance. It is not intended to supply tax or legal advice. There is no solicitation to buy or sell securities. The deduction of advisory fees, brokerage or other commissions, and any other expenses that would have been paid may not be reflected in the analysis. The results portrayed reflect the reinvestment of dividends and other earnings.

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Efficient Frontier: Non-Qualified Assets - Proposed Mix

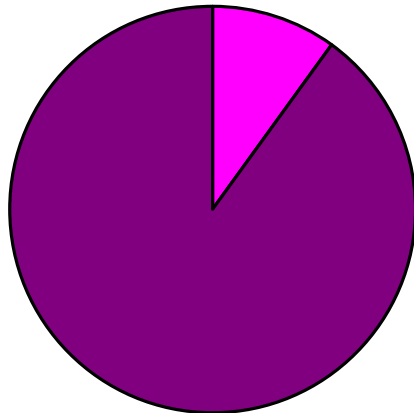


	• Present	+ Proposed
Before-Tax Gross Return	10.27%	9.49%
After-Tax Net Return	7.72%	6.68%
Std Deviation (Risk)	10.77%	8.66%
Sharpe Ratio	0.48	0.48
Yield	0.78%	2.40%

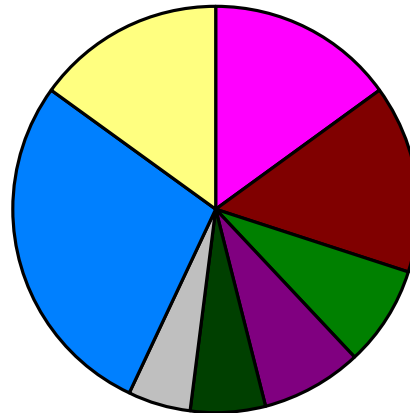
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Asset Mix Comparison - Composite Assets

Present Asset Mix



Proposed Asset Mix

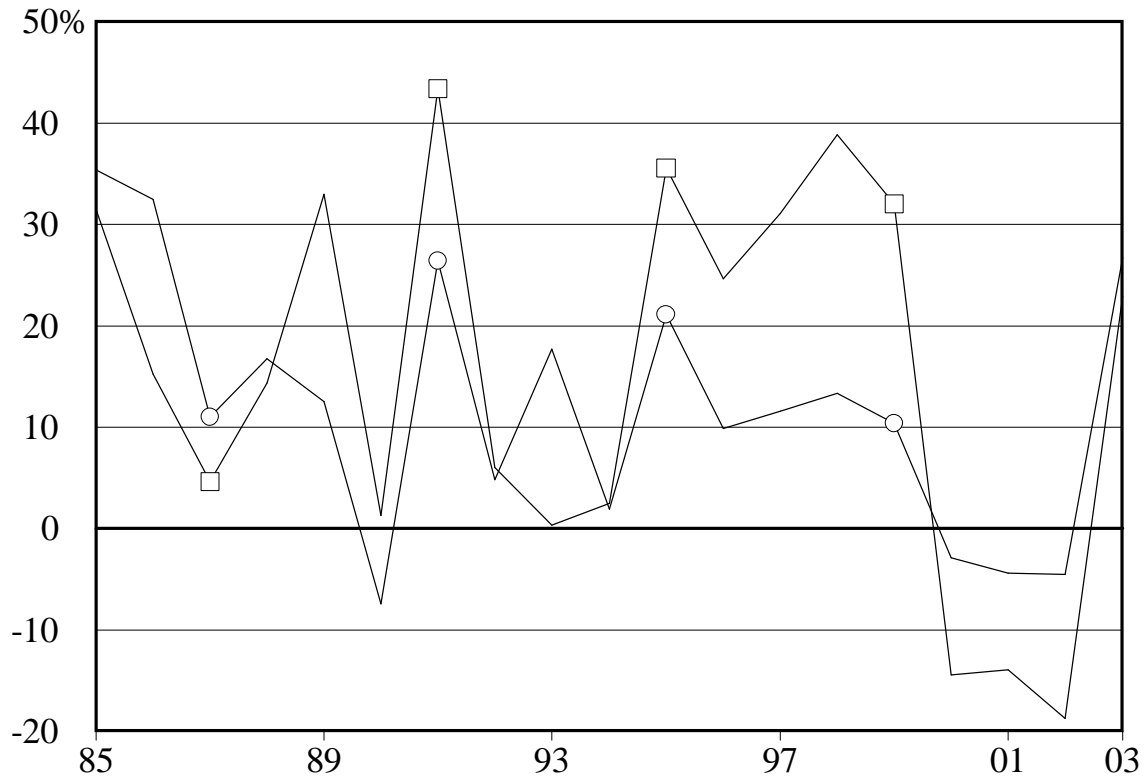


	<u>Present Asset Mix</u>		<u>Proposed Asset Mix</u>		<u>Adjustment</u>
■ Inter-Term Govt Bond	\$ 100,000	10.00%	\$ 150,000	15.00%	\$ 50,000
■ High Yield Bonds	0	-	150,000	15.00	150,000
■ Large Value Stocks	0	-	80,000	8.00	80,000
■ Large Growth Stocks	900,000	90.00	80,000	8.00	-820,000
■ Small Value Stocks	0	-	60,000	6.00	60,000
■ Small Growth Stocks	0	-	50,000	5.00	50,000
■ International Stocks	0	-	280,000	28.00	280,000
■ International Bonds	0	-	150,000	15.00	150,000
Total	\$ 1,000,000	100.00%	\$ 1,000,000	100.00%	
Before-Tax Gross Return		10.27%		9.49%	
Before-Tax Net Return		9.27%		8.49%	
After-Tax Net Return		6.89%		6.00%	
Std Deviation (Risk)		10.83%		7.94%	
Sharpe Ratio		0.41		0.44	
Yield		0.81%		2.25%	
Income (Annual \$)	\$ 8,120		\$ 22,453		

This is for illustrative purposes only. Past performance is not an indicator of future returns.

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Backtest - Annual Returns - Actual Returns



	1985 - 2003	
	Return	Risk
—□— Present Asset Mix	13.66%	19.27%
—○— Proposed Asset Mix	11.58	12.54

	Last Year	5 Years	10 Years	15 Years
Present Asset Mix	22.95%	-0.57%	11.84%	13.04%
Proposed Asset Mix	26.73	4.39	7.83	8.60

Backtested performance does not represent actual account performance and should not be interpreted as an indicator of such performance. The asset mix that the backtested results are based upon can be changed at any time and will produce different backtested performance. Backtested performance does not represent the impact that material economic and market factors might have on investment decision making. There is no indication that these backtested results could, or would, have been achieved had this asset mix been used during the years presented. The results portrayed reflect the reinvestment of dividends and other earnings. The deduction of advisory fees, brokerage or other commissions, and any other expenses that would have been paid are not reflected.

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Data Inputs

File Name: C:\clients\MASTER\samples\ASSET ALLOCATION .amp

Client 1 Birthdate: 1/ 1/1950
Client 2 Birthdate: 1/ 1/1950

Non-Qualified Fees: 1.00%
Qualified Fees: 1.00%
Annuity Fees: 1.00%

Current Tax Rates:
Federal Income Tax Rate: 31.00%
State Income Tax Rate: 9.00%
Federal Capital Gains Tax Rate: 20.00%
State Capital Gains Tax Rate: 9.00%

Future Tax Rates: (Starting 2019)
Federal Income Tax Rate: 31.00%
State Income Tax Rate: 9.00%
Federal Capital Gains Tax Rate: 20.00%
State Capital Gains Tax Rate: 9.00%

PORTFOLIO HOLDINGS

Asset Class	Product Name	Market Value	Book Value	Tax Status	Hold	Symbol
Large Growth Stocks	various	\$ 900,000	\$ 900,000	NQual	No	
Inter-Term Govt Bond	various	100,000	100,000	NQual	No	
	Total:	\$ 1,000,000				

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Scenario Assumptions

Asset Class	Index Proxy	Return	Risk	Yield	Dividend	Turnover	Tax Rates	
							Income	Cap Gains
Cash Equivalents	FED 3-Mo T-Bill (S)	3.25%	2.00%	3.25%	0.00%	100.00%	37.21%	26.21%
T-Notes/CDs	FED 6-Month CD	3.75	3.00	3.75	0.00	100.00	37.21	26.21
Inter-Term Govt Bond	CITI Treas/Agy 1-10y	6.00	6.00	6.00	0.00	60.00	37.21	26.21
Long-Term Govt Bond	CITI Treas/Agy 10+yr	6.50	8.00	6.50	0.00	40.00	37.21	26.21
Municipal Bonds	LEHB Municipal Bond	5.00	8.00	5.00	0.00	40.00	0.00	26.21
Corporate Bonds	LEHB Credit Bond	6.75	8.50	6.75	0.00	40.00	37.21	26.21
Mtge Backed Bonds	LEHB Mortgage-Backed	6.25	7.50	6.25	0.00	40.00	37.21	26.21
High Yield Bonds	LEHB High Yield	9.50	16.00	9.75	0.00	40.00	37.21	26.21
Large Value Stocks	WILS Tgt Large Value	9.75	13.25	0.00	2.50	40.00	37.21	26.21
Large Growth Stocks	WILS Tgt Large Grth	10.75	16.25	0.00	1.75	40.00	37.21	26.21
Small Value Stocks	WILS Tgt Small Value	11.25	18.75	0.00	2.25	40.00	37.21	26.21
Small Growth Stocks	WILS Tgt Small Grth	12.25	22.75	0.00	1.50	40.00	37.21	26.21
MidCap Stocks	S&P 400 MidCap	11.00	18.00	0.00	2.00	40.00	37.21	26.21
Balanced Funds	LIPR Balanced Fund	7.50	11.00	3.00	0.50	60.00	37.21	26.21
Real Estate	WILS Real Estate Sec	7.75	14.00	5.25	0.00	10.00	37.21	26.21
Futures/Commodities	Gold Base Price	8.25	30.00	0.00	0.00	100.00	37.21	26.21
Venture Capital/L.P.	CAMB US Venture Cap	12.75	35.25	0.00	0.00	10.00	37.21	26.21
International Stocks	MSCI EAFE Index-\$	11.25	22.25	0.00	1.75	40.00	37.21	26.21
International Bonds	CITI World Bnd-All \$	7.25	13.25	7.25	0.00	40.00	37.21	26.21
Emerging Equities	MSCI Emerg Free-\$	11.75	40.25	0.00	0.75	40.00	37.21	26.21
Inflation	CPI-U All Items	2.50						

Version 7.6 assumptions

Glossary-Asset Classes

CASH

Cash Equivalents - Investments of high liquidity and safety with a known market value and a very short-term maturity. Examples are Treasury bills and money market funds.

T-Notes/CD's - T-Notes are negotiable debt obligations of the U.S. government with maturities of 1 to 10 years. CD's are interest-bearing debt instruments issued by banks with maturities from a few weeks to several years.

Fixed Annuities - Investment contract sold by an insurance company that guarantees fixed payments, either for life or for a specified period, to the annuitant. The insurer takes both the investment risk and the mortality risk.

BONDS

Inter-Term Gov't Bonds - Securities issued by the U.S. government and debt issues of federal agencies having a maturity of 1 to 10 years.

Long-Term Gov't Bonds - Securities issued by the U.S. government and debt issues of federal agencies having a maturity of 10 years or more.

Municipal Bonds - Debt obligation of a state or local government entity. The funds may support general government needs or special projects. Exempt from federal income taxes, and from most state and local taxes.

Corporate Bonds - Debt instruments issued by private corporations, as distinct from ones issued by a government agency or municipality. They are taxable, with a par value of \$1,000, a term maturity, and are market-traded.

Mortgage-Backed Bonds - Securities backed by mortgages issued by FHLMC and FNMA or guaranteed by GNMA. Investors receive payments out of the interest and principal on the underlying mortgages.

High Yield Bonds - A bond that has a rating of BB or lower and pays a higher yield to compensate for the greater credit risk.

EQUITIES

Large Value Stocks - Equity securities of large capitalization companies which have 'value' stock characteristics. Value stocks have low forecasted price-earnings ratio, low price-book ratio and high dividend yield.

Large Growth Stocks - Equity securities of large capitalization companies which have 'growth' stock characteristics. Growth stocks have high forecasted sales growth, high return on equity and low dividend payout.

Small Value Stocks - Equity securities of small capitalization companies which have 'value' stock characteristics. Value stocks have low forecasted price-earnings ratio, low price-book ratio and high dividend yield.

Small Growth Stocks - Equity securities of small capitalization companies which have 'growth' stock characteristics. Growth stocks have high forecasted sales growth, high return on equity and low dividend payout.

Mid-Cap Stocks - Equity securities of medium-sized capitalization companies. These stocks are chosen on the basis of median market size, good liquidity and broad industry group representation.

Balanced Funds - A fund that buys common stocks, preferred stock, and bonds in an effort to obtain the highest return consistent with a low/moderate risk strategy. It typically offers a higher yield than a pure stock fund.

OTHER

Real Estate - Raw land and physical improvements related to it. May be held as a direct investment, or as a limited or general partnership investment in either commercial or residential property.

Futures/Commodities - Futures are an agreement to buy/sell a specific amount of a commodity/financial instrument at a given price on a future date. Commodities are bulk goods or instruments traded on an exchange.

Venture Capital/Limited Partnerships - Investment vehicles organized to raise capital for start-up companies or those in the early process of developing product or services.

INTERNATIONAL

International Equities - Equity securities investment in developed countries throughout the world. This requires an investor to be alert to trends in foreign currencies as well as movements in foreign markets.

International Bonds - Government and corporate bond investment in developed countries throughout the world. This requires an investor to be alert to trends in foreign currencies as well as movements in foreign markets.

Emerging Equities - Equity securities investment in developing (emerging) countries throughout the world. This requires an investor to be alert to possibly illiquid markets and movements in foreign currencies.

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Glossary-Key Terms

Asset Allocation - The process of determining what proportions of your portfolio holdings are to be invested in the various asset classes.

Asset Class - A standard term which broadly defines a category of potential investments.

Asset Mix - The percentage weightings (or mix) of different asset classes to be held in the portfolio. There may be separate asset mixes for the taxable and tax-deferred holdings in a portfolio. The composite asset mix represents the total combination of taxable and tax-deferred holdings.

Current Dollars - A forecast of the asset value stated in terms of the actual dollars held, not in terms of purchasing power.

Inflation Dollars - A forecast of the asset value measured in terms of purchasing power. Because of inflation, investment dollars will probably not be able to buy as much in the future as they can today.

Total Return - The combined return in current income and capital appreciation from investment in an asset class.

Risk - The unpredictability of investment returns. The chance that the actual return from investment in an asset class will be different from its assumed return. Risk is measured statistically using standard deviation.

Yield - The current cash income received from investment in an asset class. Bonds provide yield in the form of interest payments and stocks through dividends.

Sharpe Ratio - A measure of incremental assumed return (in inflation dollars) provided by an asset class or asset mix for taking additional risk. Higher values of the Sharpe Ratio are desirable.

Efficient Frontier - Plots the asset mixes, ranging from conservative to aggressive, that provide the best trade-off of risk and return. These "efficient" asset mixes provide (1) the maximum available assumed return for a given level of risk and (2) the minimum available level of risk for a given level of assumed return.

Conservative Investment Posture - Asset mixes that have relatively low risk in general will often also have lower long-term returns than more aggressive asset mixes, with more certainty.

Aggressive Investment Posture - Asset mixes that have relatively more risk will often provide higher potential returns, with greater uncertainty. Sometimes, aggressive asset mixes do not produce higher returns than more conservative asset mixes.

Non-Qualified Assets - Assets that are currently subject to federal, state and local taxes.

Qualified Assets - Assets that will be allowed to accumulate tax-free investment earnings until withdrawn at retirement. These assets are normally invested in a 401(k), 403(b), SEP, Keogh or IRA.

Annuity Assets - Life insurance annuity contracts whose value fluctuates with that of an underlying securities portfolio.