

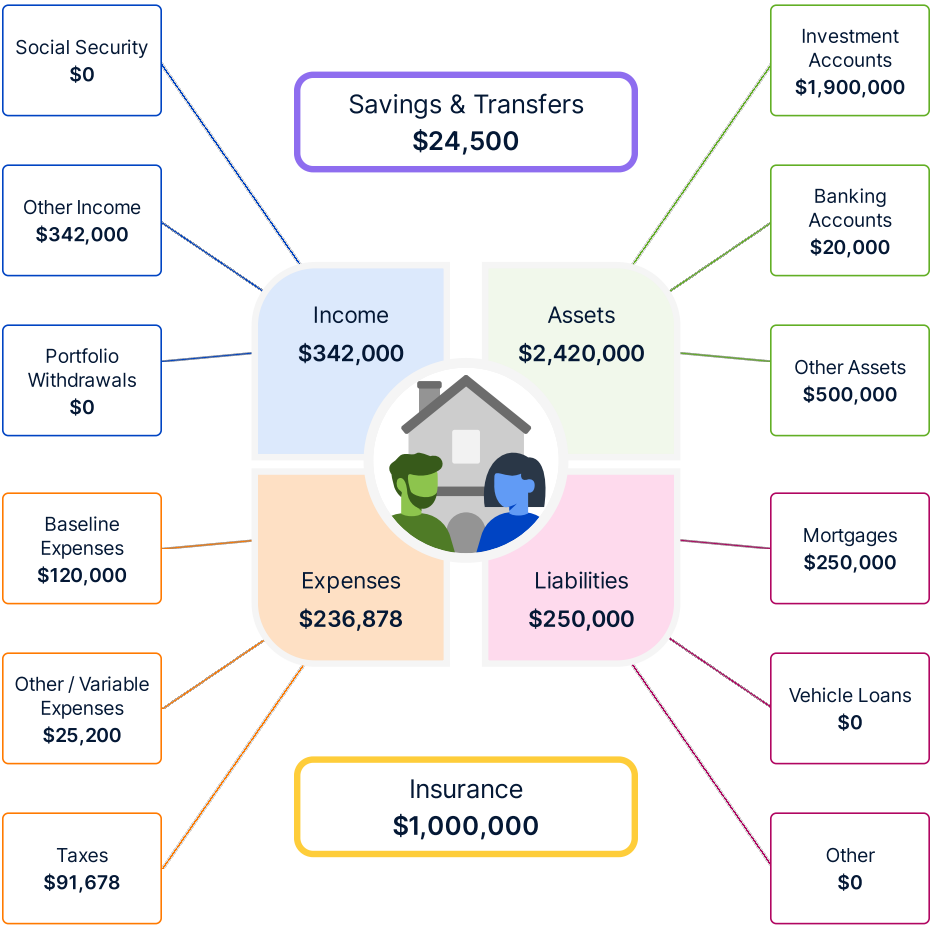
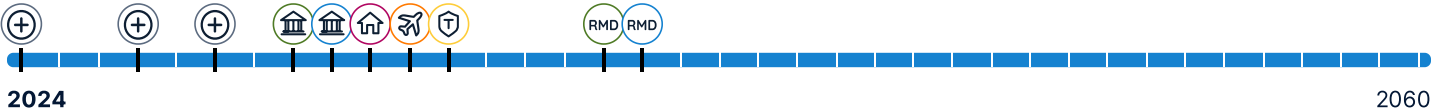
## Life Hub Report

### Preretirement Household - Household Plan

07/15/2024

Prepared by:

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This report reflects plan inputs and estimates based on chosen plan assumptions, such as portfolio growth and inflation rates. Actual values may differ from the values displayed here. Income, Expenses, and Savings & Transfers are calendar year totals. Beginning-of-year values are shown for Assets, Liabilities, and Insurance. All values are displayed in today's dollars. See Assumptions for more information.

Income		\$342,000
Social Security	\$0	<div>SSB - Mike \$0</div> <div>SSB - Sarah \$0</div>
Other Income	\$342,000	<div>Pension \$0</div> <div>Rental \$18,000</div> <div>Mike's Salary \$144,000</div> <div>Sarah's Salary \$180,000</div>
Portfolio Withdrawals	\$0	<div>From Joint Taxable \$0</div> <div>From Mike's IRA \$0</div> <div>From Sarah's 401(k) \$0</div>
Expenses		\$236,878
Baseline Expenses	\$120,000	<div>Living expenses \$120,000</div> <div>Medicare Prem - Mike \$0</div> <div>Medicare Prem - Sarah \$0</div> <div>Other Living Expenses \$0</div>
Other / Variable Expenses	\$25,200	<div>Vacations \$0</div> <div>Mortgage pmt \$24,000</div> <div>Term Insurance premium \$1,200</div>
Taxes	\$91,678	<div>FICA Tax \$24,745</div> <div>Ordinary Tax \$57,743</div> <div>LTCG Tax \$624</div> <div>NII Tax \$986</div> <div>Medicare IRMAA \$0</div> <div>State Tax \$7,580</div>
Assets		\$2,420,000
Investment Accounts	\$1,900,000	<div>Joint Taxable \$800,000</div> <div>Mike's IRA \$500,000</div> <div>Sarah's 401(k) \$600,000</div>
Banking Accounts	\$20,000	<div>CDs \$20,000</div>
Other Assets	\$500,000	<div>123 Main St \$500,000</div>

Liabilities

\$250,000

Mortgage	\$250,000	<div><div> Mortgage</div><div>\$250,000 </div></div>
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Insurances

\$1,000,000

<div> Term Insurance</div>	\$1,000,000	<div></div>
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Savings

\$24,500

<div> Acct Contributions</div>	\$24,500	
<div> Reinvested Withdrawals</div>	\$0	

# Inputs

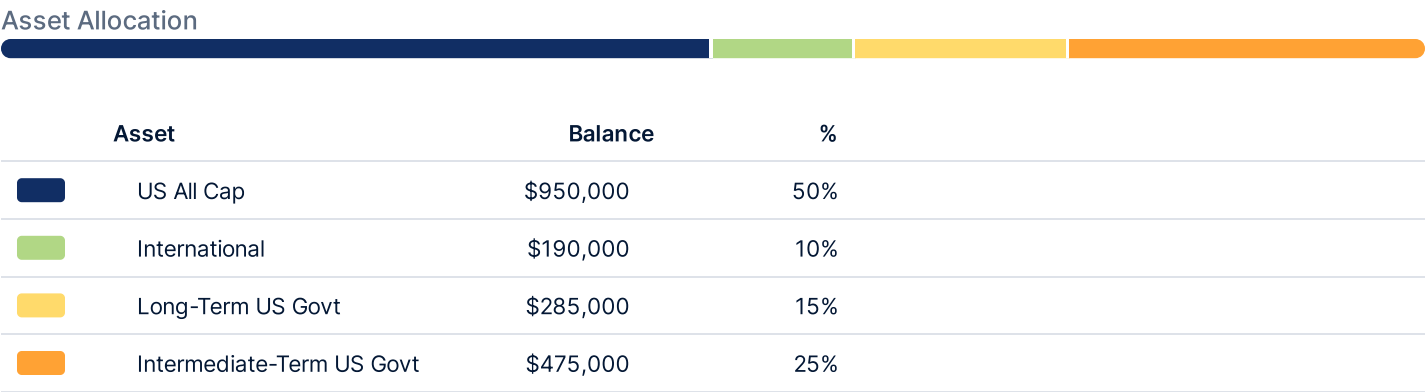
The calculations for the plan reported on here were produced using the following user inputs. Amounts are in today's dollars unless otherwise specified.

## Household Information

Client 1: **Mike Jones, born Feb 1964; Plans to retire in June 2029**  
Client 2: **Sarah Jones, born May 1965; Plans to retire in May 2027**  
The retirement income portion of this plan begins in May 2027.  
State of residence: **Arizona**

## Investment Portfolio

Your inputs included an investment portfolio with a balance of **\$1,900,000** and the following overall asset allocation.



According to your inputs, this portfolio is made up of the following accounts.

Name	Type	Balance
Mike's IRA	Traditional IRA	\$500,000
Sarah's 401(k)	Traditional 401(k)	\$600,000
Joint Taxable	Taxable	\$800,000

## Cash Flows

### Account Contributions

Target Account	Amount	Frequency	Begin	End
Mike's IRA	\$6,500	Every 1 year	Jan 2024	May 2029
Sarah's 401(k)	\$1,000	Every 1 month	Jan 2024	Apr 2027
Joint Taxable	\$500	Every 1 month	Jan 2024	May 2029

### Social Security

Recipient	Begin Date	Monthly Benefit
Mike	Feb 2031	\$2,500
Sarah	May 2032	\$3,000

### Other Income

Name	Amount	Frequency	Begin	End
Pension	\$1,200	Every 1 month	May 2027	Sarah's death
Rental	\$1,500	Every 1 month	Jan 2024	Second spouse's death
Mike's Salary	\$12,000	Every 1 month	Jan 2024	May 2029
Sarah's Salary	\$15,000	Every 1 month	Jan 2024	Apr 2027

### Expenses

#### Baseline Expenses

Name	Amount	% Essential	Frequency
Living expenses	\$10,000	75%	Monthly
Medicare Prem - Mike (future)	\$218	100%	Monthly
Medicare Prem - Sarah (future)	\$218	100%	Monthly

#### Other/Variable Expenses

Name	Amount	Frequency	Begin	End
Vacations	\$1,000	Every 1 month	Jun 2029	Feb 2034

# Retirement

Planning for retirement income involves making choices regarding the trade-offs between legacy goals, income level (standard of living), and income risk. The following user inputs regarding retirement income and legacy were used in the plan reported on here. See the Glossary for more information on these terms.

- Longevity Settings:
  - Plan for 60th percentile longevity\*
  - Joint Plan Length:\* 36.7 years
- Income Settings:
  - Target an income with an estimated **20%** chance of future reduction
  - Increase income if the estimated chance that a future reduction will be needed reaches **0%**
  - Decrease income if the estimated chance that a future reduction will be needed reaches **75%**
- Desired monthly income: **\$0**
- Income Path: **Age-Based**
- Minimum Income Change: **5%**
- Legacy Goal: **\$200,000, adjusted for inflation.**
- Analysis Method: **Historical**

\* Longevity percentiles and plan lengths are calculated from Society of Actuaries (SOA) RP-2014 mortality tables with MP-2017 improvement scales.

# Taxes

Distribution Strategy:<sup>†</sup> **Pro-Rata**

Local Tax Rate: **0%**

<sup>†</sup> When used in this report, the term "Tax-Free" refers exclusively to Roth accounts. Distributions from Roth accounts may be subject to tax and/or tax penalties if the owner is below age 59.5 and the account has been open for less than five years, or if funds deposited through a Roth conversion are withdrawn within five years. Contributions to Roth accounts that exceed certain limits may be subject to tax penalties. See the glossary for more information on distribution strategies and account types.

# Fees & Expenses

The plan reported on here reflects the following inputs regarding fees and expenses. All values are annual.

Fee on investment assets: **0.0%**

Flat fee: **\$0**

Fees and expenses applied to individual asset classes:

Asset Class	Fee	Asset Class	Fee
US All Cap Stock	0.0%	US Aggregate Bonds	0.0%
US All Cap Gr Stock	0.0%	US LT Gov't Bonds	0.0%
US All Cap Val Stock	0.0%	US IT Gov't Bonds	0.0%
US Lg Cap Stock	0.0%	US ST Gov't Bonds	0.0%
US Lg Cap Gr Stock	0.0%	US Municipal	0.0%
US Lg Cap Val Stock	0.0%	US Corp Bonds	0.0%
US Md Cap Stock	0.0%	US HY Bonds	0.0%
US Md Cap Gr Stock	0.0%	US REITs	0.0%
US Md Cap Val Stock	0.0%	Cash Equivalents	0.0%
US Sm Cap Stock	0.0%	Commodities	0.0%
US Sm Cap Gr Stock	0.0%		
US Sm Cap Val Stock	0.0%		
Int'l Dev Stock	0.0%		
Emerging Mkts Stock	0.0%		



# Assumptions

## Investment Return & Inflation Assumptions

This report may include results Monte Carlo or historical simulations. **IMPORTANT:** The projections or other information generated by Income Lab regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Assumed arithmetic mean inflation-adjusted returns and standard deviations for Traditional and Regime-Based (Near-Term and Long-Term) Monte Carlo analyses are shown in the table below. These assumptions are used to produce 1000 scenarios for analysis. Historical simulations are based on the past performance of asset-class and inflation indices. Average returns and standard deviations for these indices over the 30 years from 1994 to 2023 (inclusive) are shown below. Indices are not available for direct investment.

The plan reported on here uses the Historical analysis method.

		Historical (1994-2023)			Monte Carlo					
					Traditional		Near-term (Regime-Based)		Long-term (Regime-Based)	
	Asset Class	Index	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
Stocks	US All Cap Stock	Wilshire 5000	8.67%	15.53%	9.15%	15.85%	4.15%	18.47%	10.74%	20.33%
	US All Cap Gr Stock	Russell 3000 Gr	9.22%	17.42%	8.86%	17.76%	4.04%	19.46%	10.64%	20.98%
	US All Cap Val Stock	Russell 3000 Val	7.88%	15.20%	9.06%	15.08%	3.84%	18.26%	10.57%	20.10%
	US Lg Cap Stock	S&P 500	8.68%	15.17%	8.93%	15.46%	4.08%	18.82%	10.48%	20.55%
	US Lg Cap Gr Stock	Russell 1000 Gr	9.50%	17.30%	8.68%	17.61%	4.10%	19.96%	10.44%	21.23%
	US Lg Cap Val Stock	Russell 1000 Val	7.81%	15.12%	8.75%	14.91%	3.75%	18.74%	10.24%	20.41%
	US Mid Cap Stock	Russell Mid Cap	9.43%	17.02%	10.71%	17.32%	4.95%	19.92%	11.19%	20.85%
	US Mid Cap Gr Stock	Russell Mid Cap Gr	9.38%	20.32%	10.16%	19.93%	4.32%	21.04%	11.25%	21.77%
	US Mid Cap Val Stock	Russell Mid Cap Val	9.30%	16.57%	11.16%	16.73%	5.47%	19.67%	11.14%	20.64%
	US Sm Cap Stock	Russell 2000	8.01%	19.84%	10.57%	20.57%	5.03%	21.86%	10.76%	22.17%
	US Sm Cap Gr Stock	Russell 2000 Gr	7.37%	22.44%	9.74%	22.29%	4.46%	22.50%	10.44%	22.93%
	US Sm Cap Val Stock	Russell 2000 Val	8.51%	18.57%	11.68%	18.75%	5.79%	21.20%	11.19%	21.38%
	Int'l Dev Stock	MSCI EAFE	4.42%	16.22%	6.80%	16.93%	2.30%	13.60%	6.31%	12.61%
	Emerging Mkts Stock	MSCI Em Mkts	4.75%	21.84%	9.28%	21.98%	4.67%	17.66%	8.78%	16.38%
Bonds	US Aggregate Bonds	Bloomberg Agg	1.94%	4.34%	2.89%	5.44%	0.36%	5.02%	2.78%	4.91%
	US LT Gov't Bonds	Blmbrg US Govt Long	3.39%	10.99%	3.95%	11.02%	0.40%	9.36%	3.33%	8.96%
	US IT Gov't Bonds	Blmbrg US Govt Int	1.52%	4.34%	2.59%	5.27%	0.34%	4.88%	2.61%	4.67%
	US ST Gov't Bonds	Blmbrg US Govt Short	0.62%	1.86%	1.66%	2.64%	0.34%	3.05%	1.58%	2.88%
	US Municipal Bonds	Blmbrg Muni	2.21%	4.98%	2.39%	6.79%	0.34%	5.64%	2.63%	5.60%
	US Corp Bonds	iBoxx US Corp	2.79%	6.42%	3.71%	8.15%	0.68%	6.95%	3.82%	6.81%
	US HY Bonds	Blmbrg US HY	4.47%	8.74%	5.28%	8.76%	1.34%	10.75%	4.87%	10.99%
Other	Cash Equiv	Haver 1-Mth T-Bill	-0.23%	1.10%	0.48%	1.12%	0.01%	2.64%	0.59%	2.33%
	US REITs	NAREIT Comp	8.29%	18.64%	8.12%	17.61%	4.89%	26.59%	9.88%	28.44%
	Commodities	S&P GSCI Comm	1.56%	21.99%	3.03%	20.17%	2.80%	18.18%	1.29%	13.55%
	Inflation	CPI-U	2.53%	0.98%	2.55%	0.98%	3.64%	2.69%	2.39%	2.32%

## Tax Assumptions

Tax estimates included in this report reflect the tax rates from the most recently completed calendar year when the report was generated, along with information you provided about your investments and cash flows. All tax calculations assume that current tax brackets will be adjusted for future inflation. See above for information on inflation assumptions.

The table below shows assumptions regarding the make-up of each asset class's annual return. See the Glossary for more information on these categories.

Asset Class	LTCG	STCG	Qualified Dividends	Ordinary Dividends	Taxable Interest	Tax-Exempt Interest	Deferred Growth
US All Cap Stock	10%	0%	21%	0%	0%	0%	69%
US All Cap Gr Stock	10%	0%	11%	0%	0%	0%	79%
US All Cap Val Stock	10%	0%	25%	0%	0%	0%	65%
US Lg Cap Stock	10%	0%	21%	0%	0%	0%	69%
US Lg Cap Gr Stock	10%	0%	12%	0%	0%	0%	78%
US Lg Cap Val Stock	10%	0%	25%	0%	0%	0%	65%
US Mid Cap Stock	10%	0%	15%	0%	0%	0%	75%
US Mid Cap Gr Stock	10%	0%	7%	0%	0%	0%	83%
US Mid Cap Val Stock	10%	0%	21%	0%	0%	0%	69%
US Sm Cap Stock	10%	0%	14%	0%	0%	0%	76%
US Sm Cap Gr Stock	10%	0%	6%	0%	0%	0%	84%
US Sm Cap Val Stock	10%	0%	21%	0%	0%	0%	69%
Int'l Dev Stock	10%	0%	18%	12%	0%	0%	60%
Emerging Mkts Stock	10%	0%	0%	23%	0%	0%	67%
US LT Gov't Bonds	0%	0%	0%	0%	88%	0%	12%
US IT Gov't Bonds	0%	0%	0%	0%	88%	0%	12%
US Corp Bonds	0%	0%	0%	0%	88%	0%	12%
US HY Bonds	0%	0%	0%	0%	100%	0%	0%
Cash Equiv	0%	0%	0%	0%	100%	0%	0%
US REITs	12%	0%	0%	50%	0%	0%	38%
Commodities	60%	40%	0%	0%	0%	0%	0%

Actual future tax rates and asset class behavior may differ from these assumptions. All tax calculations are based on estimates and should not be relied upon for tax and legal purposes. Please consult a tax advisor before taking tax-related actions.

Tax estimates are performed on calendar-year data, as entered by the software user. Withdrawals are applied at the beginning of the year and additions are applied at the end of the year. Required minimum distributions and planned distributions from non-qualified deferred compensation plans and inherited tax-deferred and inherited Roth accounts are applied before any other distributions are calculated and applied. No distributions are taken from accounts subject to pre-59.5 or pre-55 penalties unless no other assets are available to fund planned income. Your actual future withdrawal choices may differ from these assumptions.

# Glossary

**Assets Classes:** Groupings of investments that exhibit similar characteristics

- **Stocks:** Shares of equity, or ownership, in a company
  - **Large Cap:** Companies with the highest total market value in the overall market, typically \$10 billion or more.
  - **Mid Cap:** Companies with market values in the middle of the overall market, typically between \$2 billion and \$10 billion.
  - **Small Cap:** Companies with market values that are at the low end of the overall market, typically below \$2 billion.
  - **Growth:** Stock in a company that is expected to grow at a rate that is faster than the overall economy. These companies do not typically focus on payment of dividends.
  - **Value:** Stock whose price appears low relative to the company's financial performance.
  - **International Developed Markets:** Markets in countries with the most advanced economies and capital markets. These countries typically have high income, openness to foreign ownership, ease of capital movement, and efficiency of market institutions.
  - **Emerging Markets:** Markets in countries that have some characteristics of a developed market, but do not fully meet those standards.
- **Bonds:** Debt securities, which typically pay a fixed or variable interest rate to the holder.
  - **Government:** Debt issued by governments or governmental agencies.
  - **Corporate:** Debt issued by companies with investment grade credit ratings.
  - **High Yield:** Corporate debt whose credit rating is below investment grade.
  - **Long Term:** Debt that is due to mature in greater than 10 years.
  - **Intermediate Term:** Debt that is due to mature in 2-10 years.
  - **Short Term:** Debt that is due to mature in less than 2 years.
- **Other**
  - **Real Estate Investment Trusts (REITs):** Stock in a company that owns, operates, or finances income-generating real estate.
  - **Cash Equivalents:** assets that are cash or can be converted into cash very quickly, including debt securities with maturities of less than 90 days.

**Distribution Strategy:** A plan for how to order distributions from investment accounts to fund retirement spending needs.

- **Pro-Rata:** Taking withdrawals from investment accounts according to each account's size in comparison to the overall portfolio. Larger accounts see larger withdrawals and smaller accounts see smaller withdrawals.
- **Tax-Ordered:** Ordering portfolio withdrawals according to the tax status of accounts. This approach first withdraws funds from accounts with one tax status until funds with that tax status are exhausted before moving on to accounts with the next tax status.
- **Roth Conversions to X% Brkt:** Take portfolio withdrawals first from taxable accounts. When taxable balances are exhausted, take from tax-deferred accounts. Finally, take from tax-free accounts. (See below for important information on tax-free (Roth) accounts.) In any given year, if there is space remaining in or below the targeted X% tax bracket after all planned income has been accounted for, fill the target X% tax bracket via Roth conversions.

**Income Path:** The way in which you plan for income and spending needs to change over time.

- **Age-Based:** A "retirement smile" path where planned income will rise or stay the same early in retirement, decrease (in inflation-adjusted terms) as retirement proceeds, and then increase again toward the end of the plan. This pattern matches research findings on how age and discretionary income affect retirees' spending over time.
- **Flat:** Planned income that remains the same, in inflation-adjusted terms, throughout the plan.
- **Custom:** A "retirement smile" pattern with customized parameters for when changes in income begin, the size of these changes, and the timing and size of any planned end-of-life income increases.

**Income Settings:** Your attitude toward the trade-off between income level and the estimated chance that an unplanned reduction in income will be needed in the future.

**Income Types:**

- **Capital Gains:** Income produced from the sale of something for an amount that is higher than the purchase price.
  - **Long-Term (LTCG):** Capital gains from something held for more than a year. Typically taxed at preferential rates.
  - **Short-Term (STCG):** Capital gains from something held for a year or less. Typically taxed as ordinary income.
- **Deferred Growth:** Growth in the price of securities that is not taxed in a given year because the security has not been sold.
- **Dividends:** A distribution of cash or stock to a class of shareholders in a company.
  - **Ordinary:** Dividends taxed as ordinary income.
  - **Qualified:** Dividends taxed as long-term capital gains.
- **Interest:** Amounts paid to bondholders or holders of bank accounts.
  - **Taxable:** Interest that is taxable as ordinary income.
  - **Tax-Exempt:** Interest, typically from municipal bonds, that is not subject to Federal income tax.

**Index:** A set of securities or other methodology for tracking the performance of a particular asset class or market sector. Indices are not available for direct investment but instead serve as a proxy measurement for investment returns.

**Inflation:** Change in prices and purchasing power over time.

- **Future Dollars:** Values expressed in terms of projected future values, including the effect of inflation into the future. These values can be thought of as reflecting projected future prices.
- **Today's Dollars:** Values expressed in terms of the purchasing power of a dollar today. These values can be thought of as values converted to today's prices to undo the effects of future inflation.

**Legacy Goal:** The amount of investment assets that you would like to have at the end of the plan horizon.

**Longevity Setting:** Your attitude toward longevity risk, which is the estimated chance of living beyond the plan horizon.

**Minimum Income Change:** It can be both administratively onerous and impractical to make small and frequent adjustments to income. The minimum income change setting allows you to specify how large a potential income adjustment would need to be before you would effect such a change.

**Risk:** The chances that an outcome will differ from the expected outcome, especially if that difference would result in a loss. Planning for retirement income involves making choices regarding the trade-offs between legacy goals, income level (which determines to a large extent a household's standard of living), and income, investment, and longevity risk.

- **Investment:** The chances of loss or fluctuation in the price or value of investments.
- **Longevity:** The chances of living longer than planned.
- **Income:** The chances that planned-for income will not be achievable and that an unplanned reduction in income will be needed in the future.

**Simulation:** The exploration of hundreds or thousands of possible scenarios and their possible effect on a plan's outcome. The results of simulation analysis will vary depending on assumptions and inputs and may vary with each use and over time.

- **Monte Carlo Simulation:** A method of analysis that is used to explore possible outcomes when certain variables, like investment returns and inflation, are uncertain. For financial analysis, this involves producing many (e.g., 1000) randomized sequences of investment returns and inflation, based on assumed average rates and standard deviations, and exploring how these hypothetical scenarios would affect the outcomes of a plan. Monte Carlo simulation may produce scenarios and statistical distributions worse than or better than those that have occurred historically.

- **Historical Simulation:** A method of analysis that is used to explore possible outcomes when certain variables, like investment returns and inflation, are uncertain. For financial analysis, this typically involves examining how sequences of returns and inflation rates that have occurred historically would affect the outcomes of a plan. Past performance is not a guarantee of future results.

### **Expenses**

- **Essential:** Expenses that you consider necessary for basic life needs. Such expenses typically have low flexibility.
- **Discretionary:** Expenses that go beyond what you consider necessary for basic life needs. Such expenses are typically more flexible.

**Tax Status:** The tax treatment of income realized within an investment account or of withdrawals taken from that account.

- **Taxable:** An account whose interest, dividends, realized capital gains, and other taxable income are taxed in the year in which they are realized.
- **Tax-Deferred:** An account (e.g., a Traditional IRA or 401(k)) in which investment gains, interest, and dividends are not taxed when realized. These accounts are usually funded with pre-tax dollars and withdrawals from these accounts are taxable as ordinary income, except in the (somewhat rare) case of withdrawal of cost basis. These accounts are typically subject to tax rules and penalties regarding contribution limits, restrictions on withdrawals before age 59.5 (or, in some situations, age 55), and required distributions after age 70.5 or 72.
- **Tax-Free (Roth):** A Roth account funded with after-tax dollars that, with important exceptions, is not subject to taxation on distributions or on interest, dividends, or realized capital gains. Distributions from Roth accounts may be subject to tax and/or tax penalties if the owner is below age 59.5 and the account has been open for less than five years, or if funds deposited through a Roth conversion are withdrawn within five years. Contributions to Roth accounts that exceed certain limits may be subject to tax penalties.

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