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Financial Advisor RETIREMENT SYMPOSIUM

Retirement Planning Software Panel

MODERATOR

Joel Bruckenstein

Publisher of the Technology Tools for Today newsletter
Contributing Editor, Financial Advisor Magazine

PANELISTS

Linda Strachan

VP, Product Management
Zywave (formerly EISI)

Andrew Rudd

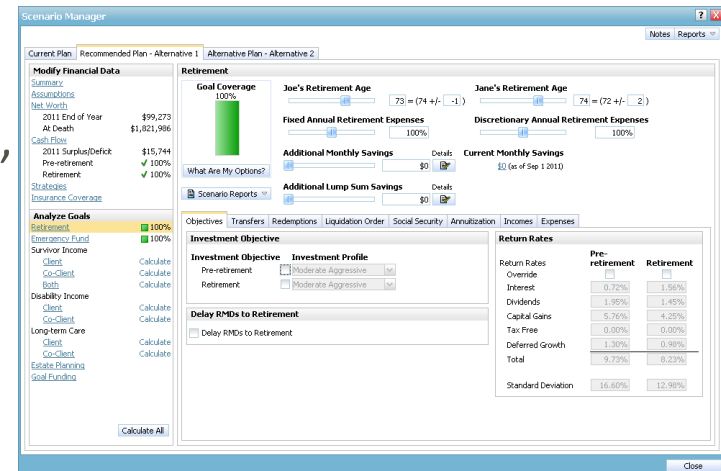
Chairman & CEO
Advisor Software, Inc.

Pierre Bossaert

Vice President
Fiserv

NaviPlan and Profiles Capabilities

- In-depth planning for retirement needs
 - Holistic, comprehensive tool
 - Strengths in tax and cash flow capabilities
 - Fixed and discretionary expenses – match income to need
 - Asset depletion control
- Holistic scenario manager
 - Easily model and report on “what ifs”
 - Probability analysis
 - Addressing all risk factors
 - Various annuity options
 - Health care expenses



Planning for the retired client

- Phase 1– Top priorities
 - Presentation Module – Income Planning for Retirees
 - Focus on cash flow and net worth results
 - Illustration relative to the retired client only
 - NaviPlan Select
 - Streamlined user interface
 - Display appropriate milestones in Scenario Manager
 - Adjust default start and end dates

Planning for the retired client

- Phase 2
 - Lifetime retirement income and risk management – *“Bucket Approach”*
 - Delaying RMDs as a planning strategy (Scenario Manager)
 - Dividends as a paycheck
 - Withdrawal rate in retirement
 - Change State of Residence in retirement and accurately model taxes

Income Planning for Retirees

NaviPlan Presentation Module

- Software telling a story
- Communicating concepts to the client



Income Planning
for Retirees

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Goal-Planning Outline

- Goal-Planning
 - “Operationalizes” financial planning
 - Simple client-centric, presentation
 - Sparks advisor-client conversation
 - Engages client to collaborate
- Focused Reporting
 - Designed around important client questions, e.g.
 - What is my plan?
 - Can I afford my goals?
 - How do I pay for my goals?
 - Am I on target?
 - What happens if....?
 - What should I do now?
- Institutional Caliber Analytics
 - Base upon theory underlying Asset Liability Management (ALM) and Liability-Driven Investing (LDI)

What is my plan?

What Is My Plan?

Prepared for The Simmon's Household

4/30/2012

Resources

Future Benefits	Amount	Start Date ²	End Date ²
Bill Simmons SSN	\$1,800/mo	Oct, 2032	Nov, 2051
Hartford Single Premium Annuity	\$500/mo	Oct, 2032	Nov, 2051
Pacific Gas and Electric	\$800/mo	Oct, 2032	Nov, 2051
Sally Simmons SSN	\$1,800/mo	Mar, 2035	Nov, 2051
Future Savings	Amount	Start Date	End Date
401(k) Contribution	\$500/bw	Apr, 2012	Mar, 2035
College Savings Account	\$200/mo ¹	Apr, 2012	Feb, 2024
Taxable Savings	\$1,100/mo	Oct, 2011	Oct, 2032
Retirement Accounts	Current Value		
Fidelity	\$349,219		
Brokerage/Bank Accounts	Current Value		
Bank of America	\$50,000		
Etrade Trust Account	\$227,832		
Schwab Account	\$149,280		

Principal Household Members

Bill Simmons	Sally Simmons
Male Age 44	Female Age 42
Birthdate: Oct 20, 1967	Birthdate: Mar 28, 1970
Retirement Age: 65 (Oct 2032)	Retirement Age: 65 (Mar 2035)
Tax Filing Status: Married Filing Jointly	
Tax Rate for Household: 11.00% ³	

Plan FAQ

Where is my current income and expenses?

Future Savings represents the money that you plan to save after paying for your pre-retirement living expenses including mortgage(s), debt payments, utilities, etc; so it is not necessary to include your current income and expenses.

Why are there 3 amounts for each Goal?

The Necessary Amount represents what you need to fund before funding anything else. The Target Amount represents the plan you expect to follow. The Aspirational Amount represents what you would like to fund if enough resources are available.

Goals

One-Time Goals	Necessary Amount	Target Amount	Aspirational Amount	Earliest Date	Target Date	Latest Date	COLA ¹
Kitchen Remodel	\$15,000	\$25,000	\$50,000	May, 2012	Jan, 2013	Jun, 2013	No
Sports Car	\$0	\$40,000	\$50,000	May, 2012	Apr, 2014	Apr, 2016	No
Vacation Home	\$0	\$0	\$350,000	Mar, 2032	Mar, 2037	Mar, 2042	No
Recurring Goals	Necessary Amount	Target Amount	Aspirational Amount	Start Date	End Date		COLA ¹
Health Insurance Premiums	\$750/mo	\$750/mo	\$750/mo	Mar, 2035 ⁴	Nov, 2051 ⁵		Yes
Mary's College Funding	\$30,000/yr	\$55,000/yr	\$65,000/yr	Sep, 2024	Sep, 2028		Yes
Retirement Housing	\$2,500/mo	\$3,000/mo	\$4,500/mo	Mar, 2035 ⁴	Nov, 2051 ⁵		Yes
Retirement Living Expenses	\$6,500/mo	\$8,500/mo	\$10,000/mo	Mar, 2035 ⁴	Nov, 2051 ⁵		Yes
Vacation	\$3,000/yr	\$4,500/yr	\$6,000/yr	Jul, 2012	Jul, 2032		No
Yearly Travel Plans	\$1,500/mo	\$3,000/mo	\$4,000/mo	Mar, 2035 ⁴	Nov, 2051 ⁵		Yes

1. Including 2.3% annual COLA (Cost of Living Adjustment). 2. The birthdate of the benefit recipient in the selected start year. 3. Combined Federal/State/Local tax rate.
 4. The expected retirement date of the Principal Household Member who is retiring last. 5. Plan end date is based on an actuarial table of life expectancy for the Household Principal who is expected to live the longest.
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 The assumptions and projections in this report are estimates, hypothetical in nature, and are not meant as guarantees of future results.

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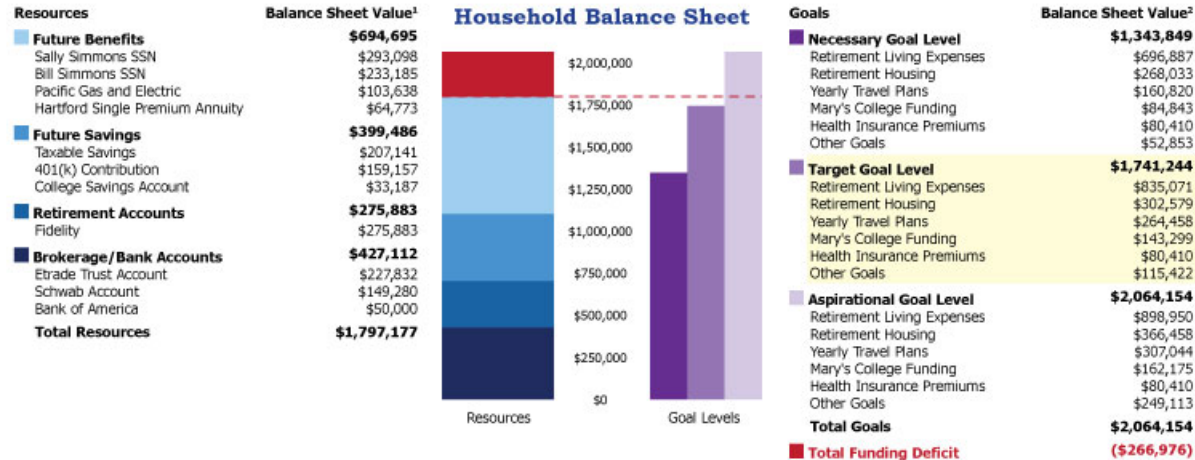
Can I afford my goals?

Can I Afford My Goals?

Prepared for The Simon's Household

4/30/2012

Your Necessary and Target goals are well-funded, but Aspirational goals require further savings.



Household Savings

Future Savings Rate(s)	
Taxable Savings	\$1,100/mo from 2011- 2032
401(k) Contribution	\$1,085/mo from 2012- 2035
College Savings Account	\$200/mo from 2012- 2024 ³
Additional Savings Needed ²	
Necessary Goal Level	\$0/mo until 2035
Target Goal Level	\$0/mo until 2035
Aspirational Goal Level	\$1,162/mo until 2035

Funding Percent by Goal Level

Goal Level	Cost of Goals	Resources Available	Surplus/(Deficit)	Funding %
Necessary	\$1,343,849	\$1,797,178	\$453,329	133.7%
Target	\$1,741,244	\$1,797,178	\$55,934	103.2%
Aspirational	\$2,064,154	\$1,797,178	(\$266,976)	87.1%

This table shows the percentage of Resources that are available to fund the cumulative cost of each Goal Level (for example funding the Target Level includes funding the Necessary Level).

1. Present value calculated using a transaction cost of 1.0%. For Future Benefits, an annual COLA (Cost of Living Adjustment) of 2.3% is applied. COLA may be applied to Future Savings. Retirement Account values include penalties and taxes as if the money was withdrawn today.
2. Present value calculated using discount rates of 4.8% for the Necessary Goal Level, 6.2% for the Target Level and 7.8% for the Aspirational Level. An annual COLA (Cost of Living Adjustment) of 2.3% may be applied.
3. Cumulative additional savings needed is calculated as a monthly contribution of after-tax dollars starting now and ending at the Retirement Date of the Principal Household Member who is retiring last. It includes 2.3% annual COLA.

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Retirement Considerations

- Retirement funding:
 - Is an inflation and tax-sensitive, cash-flow matching problem
 - Has a long-term horizon - 50 + years
 - Incorporates three decision variables
 - Accumulation policy
 - Withdrawal policy
 - Asset allocation / location
 - Requires funding:
 - A minimum necessary expense goal
 - Exploiting risk premia in asset markets
 - Managing longevity risk
 - Is not well represented by simplistic Monte Carlo Simulation
- There are lots of moving parts...
 - Requires holistic approach
 - No single product solution

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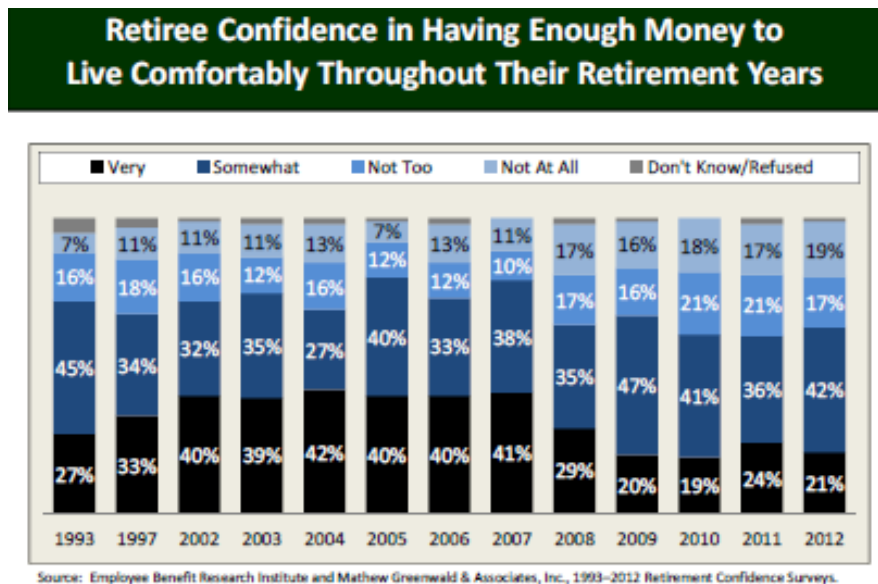
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Impact of the Financial Crisis

- Client Evolution
- Regulation Impacts
- Technology & Software



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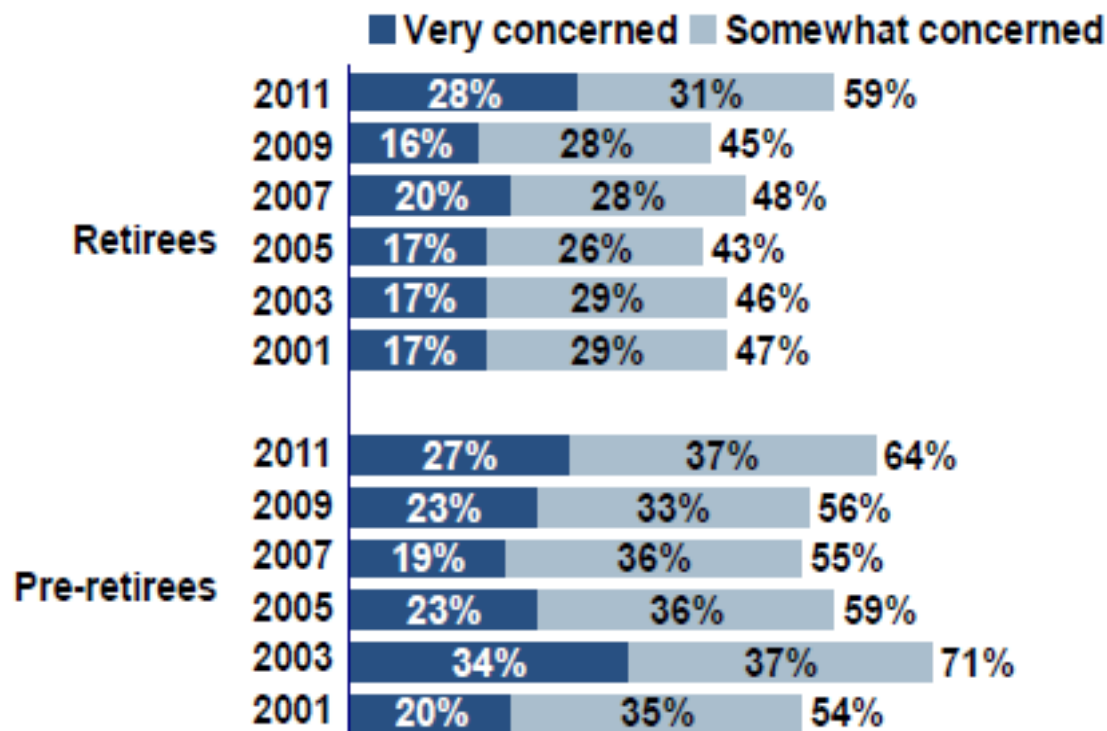
3 of Retirees' Greatest Concerns

- Longevity
 - outliving assets
- Health risks
 - need for long term care
- Financial and economic risks
 - stock market
 - inflation

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Concerns of Longevity Risk Higher

How concerned are you that you might not be able to maintain a reasonable standard of living for the rest of your life (in retirement)?



Source: Society of Actuaries, 2001-2011 Risks and Process of Retirement Surveys

Important SOA Research about Retirement

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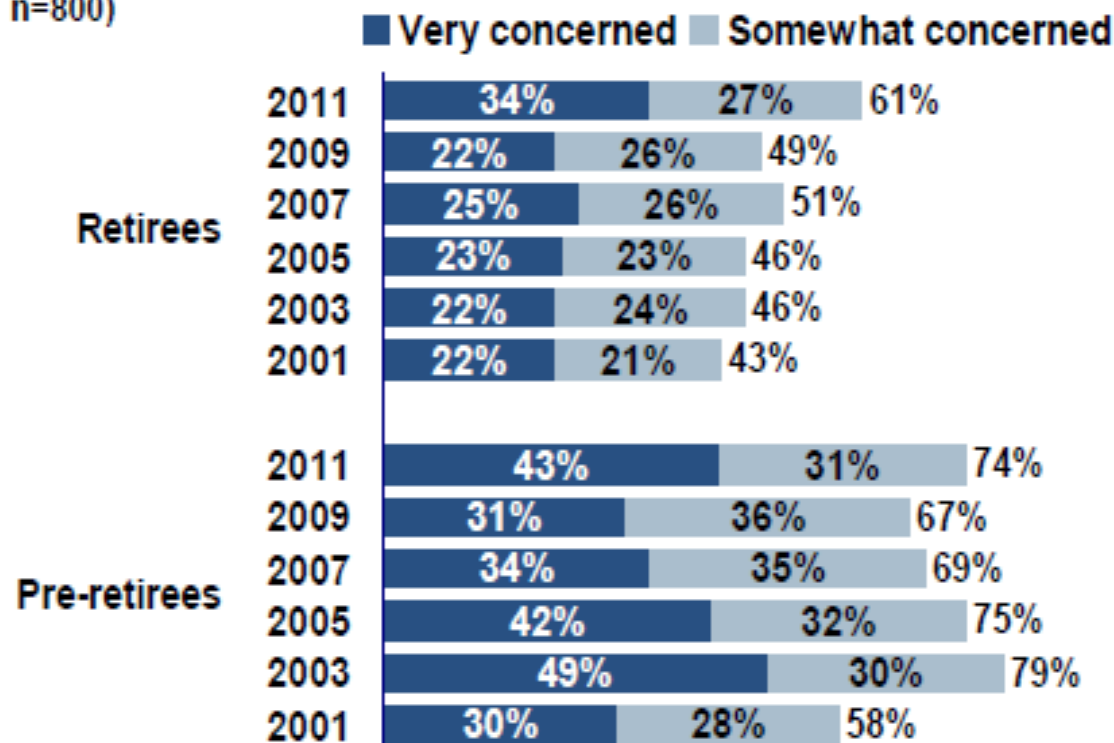
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Concerns of Health Risks Higher

How concerned are you that you might not have enough money to pay for adequate health care (in retirement)? (Retirees, 2011 n=800; Pre-retirees, 2011 n=800)



Source: Society of Actuaries, 2001-2011 Risks and Process of Retirement Surveys

Important SOA Research about Retirement

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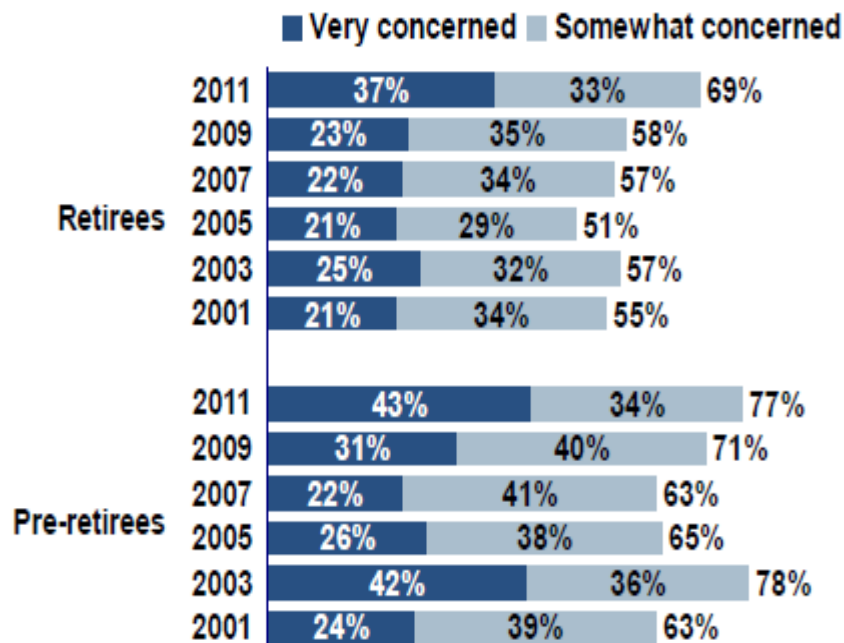
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Concerns of Financial and Economic Risks Higher

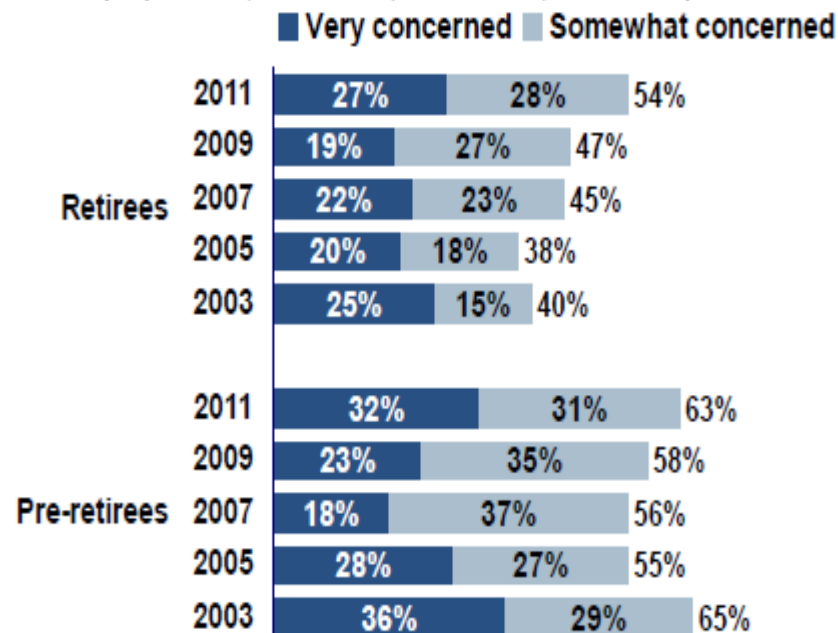
How concerned are you that the value of your savings and investments might not keep up with inflation (in retirement)?



Source: Society of Actuaries, 2001-2011 Risks and Process of Retirement Surveys

Important SOA Research about Retirement

How concerned are you that you might deplete all of your savings (in retirement)? (Retirees, 2011 n=800; Pre-retirees, 2011 n=800)



*Question not asked in 2001.

Source: Society of Actuaries, 2003-2011 Risks and Process of Retirement Surveys

Important SOA Research about Retirement

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Addressing the Concern

“In preparing for battle, I have always found that plans are useless, but planning is indispensable”

Dwight D Eisenhower

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Today's Key Software Components

- Efficient design, Integrated
- Interactive, collaborative and engaging
- Addresses key risks and solutions

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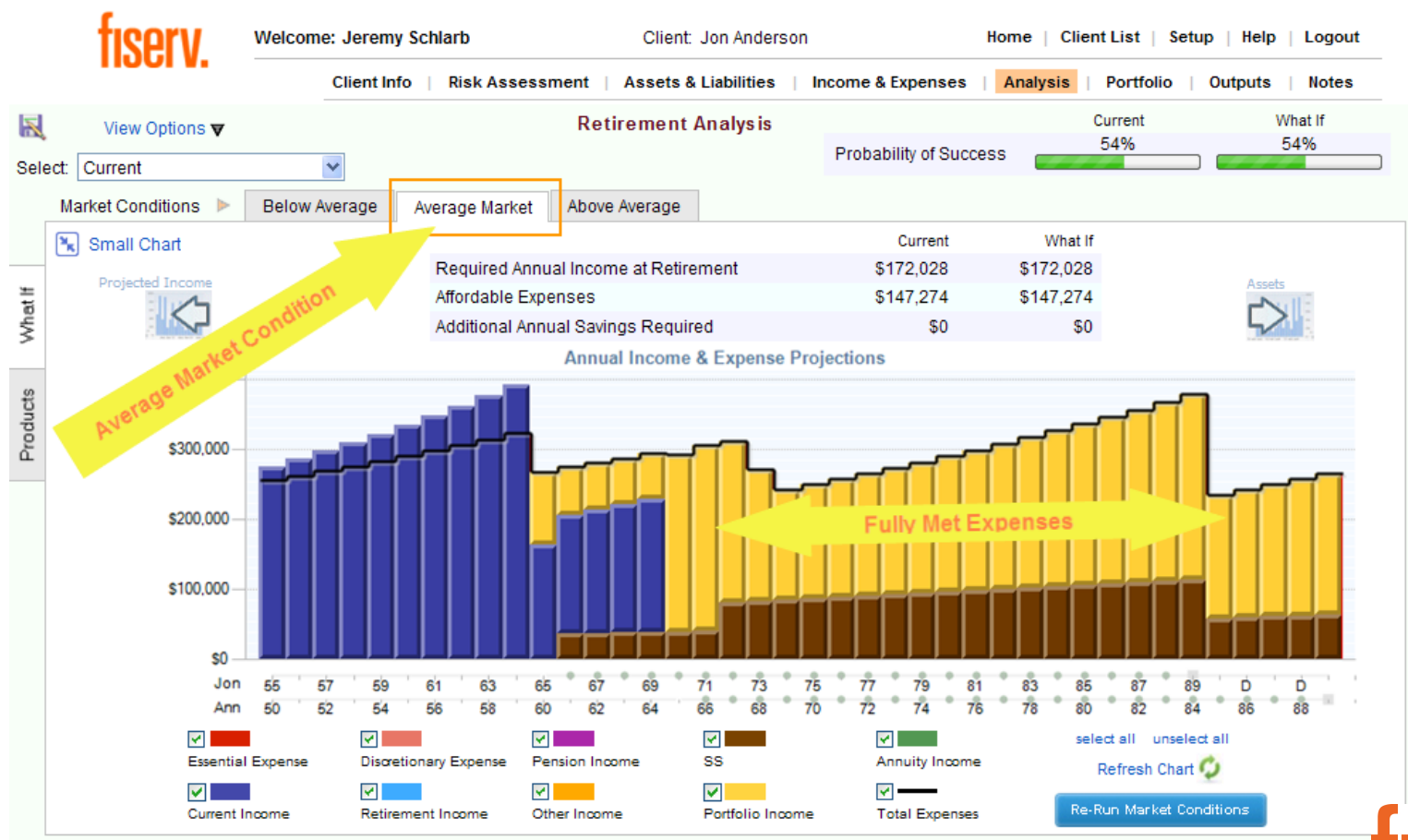
Case Study

Jon and Ann are age 55 and 50 in good health

- Net Worth of \$1,185,000
- Combined annual income of \$162,000
- Current expenses of \$155,000
- Retirement age range when Jon reaches 65-70
- Jon and Ann's risk assessment is moderate

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Jon and Ann Appear to be on Track



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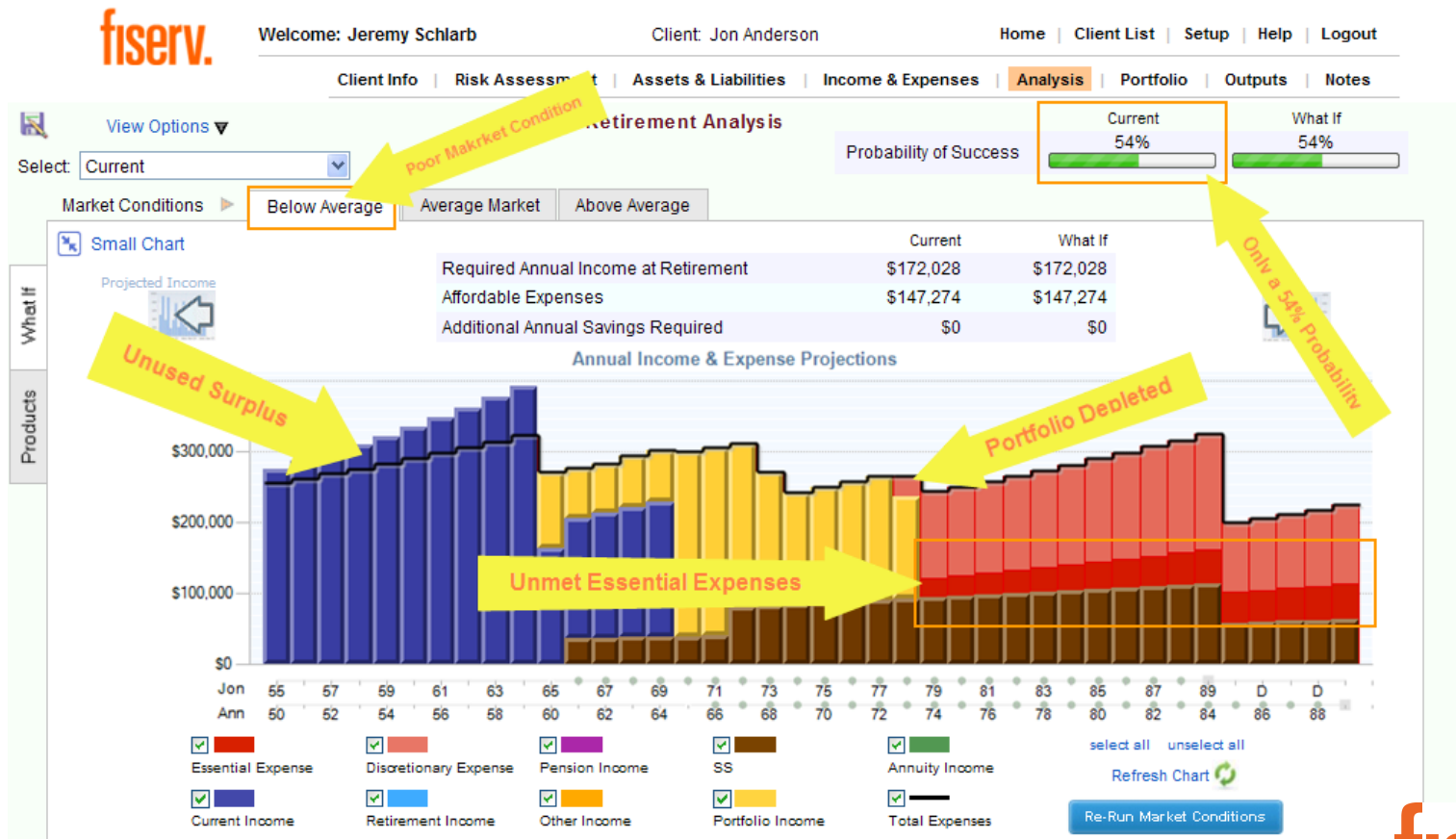
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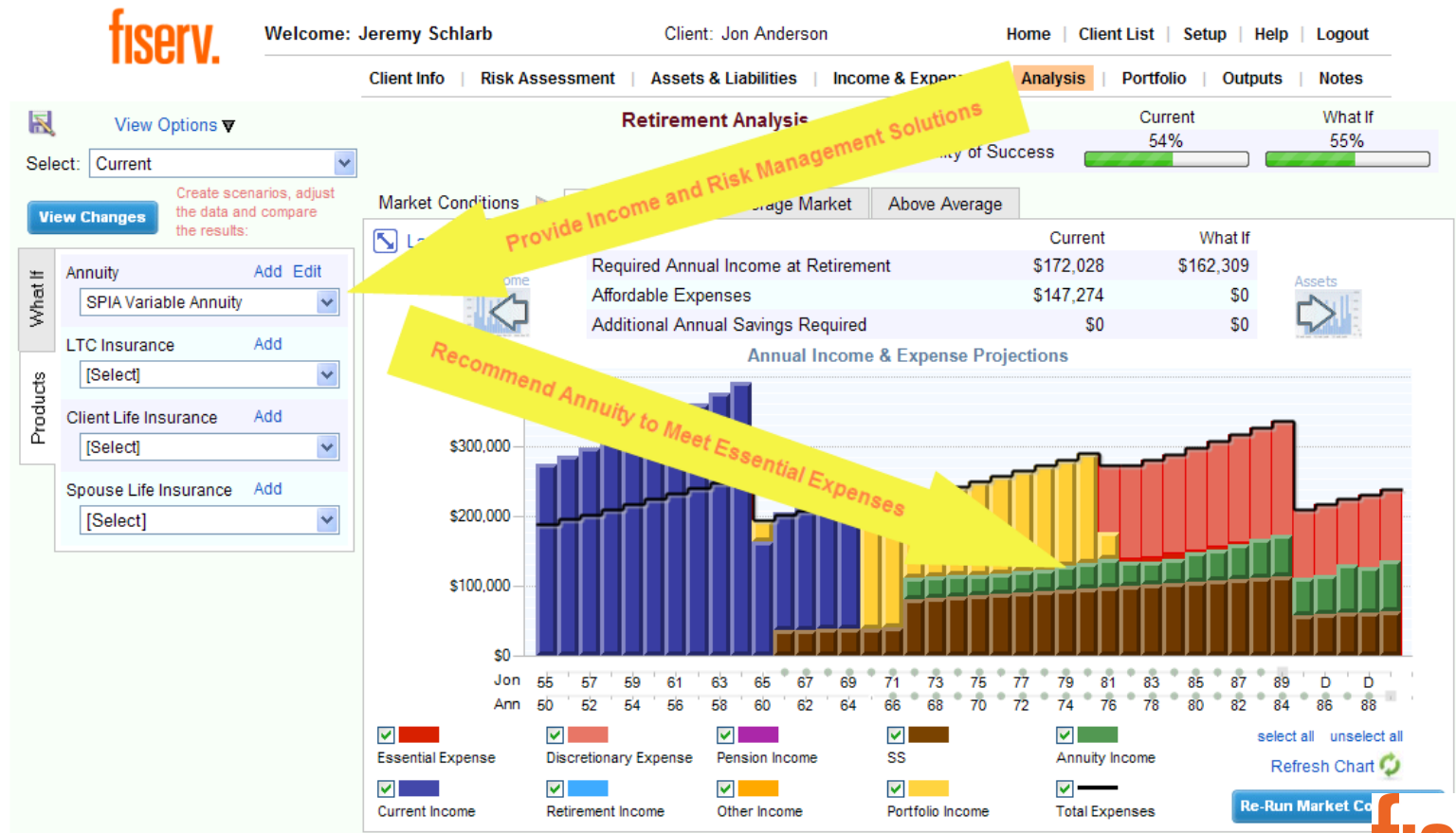
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But in a Poor Market, They Have a Problem...



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You Can Solve...



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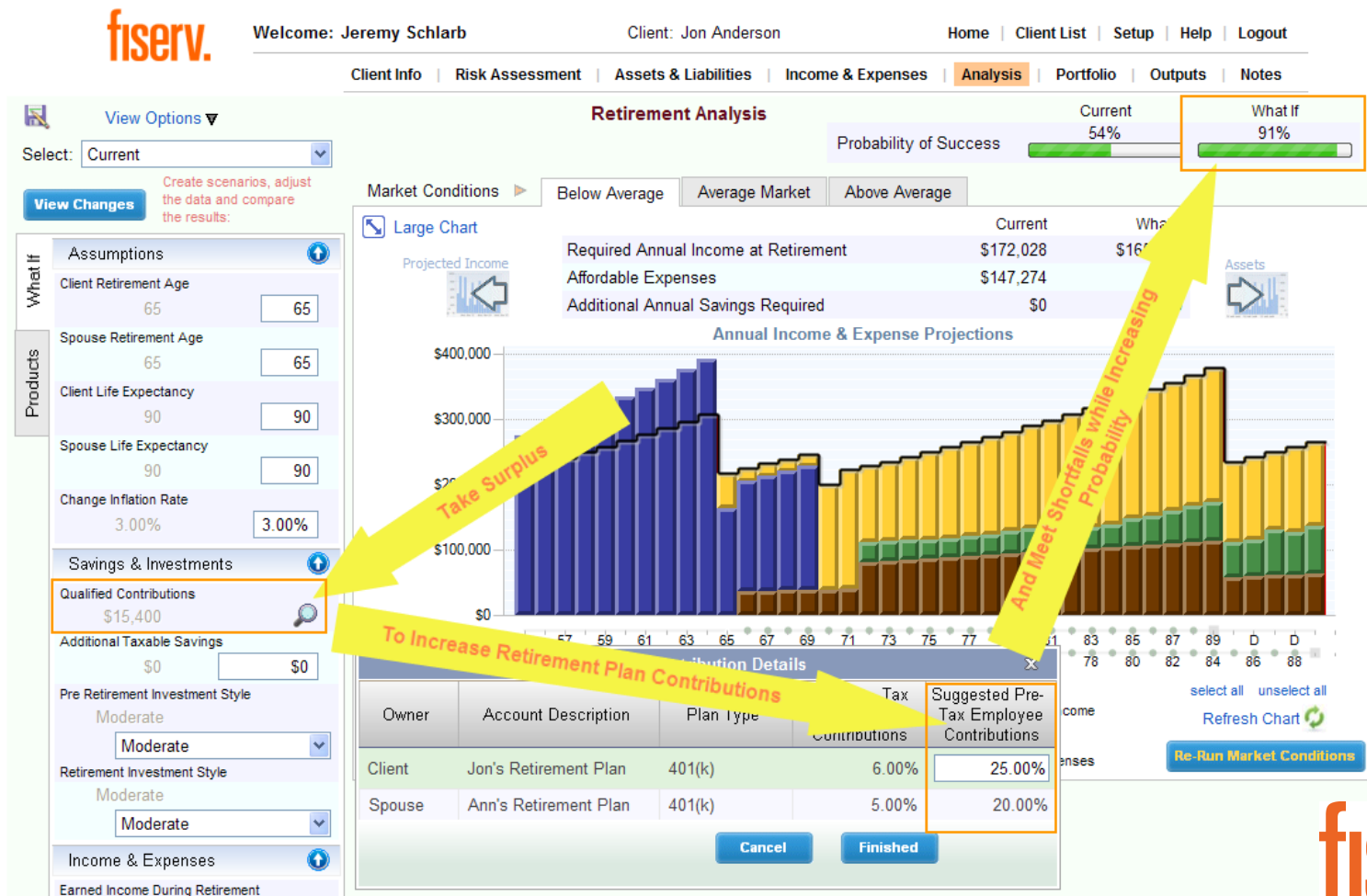


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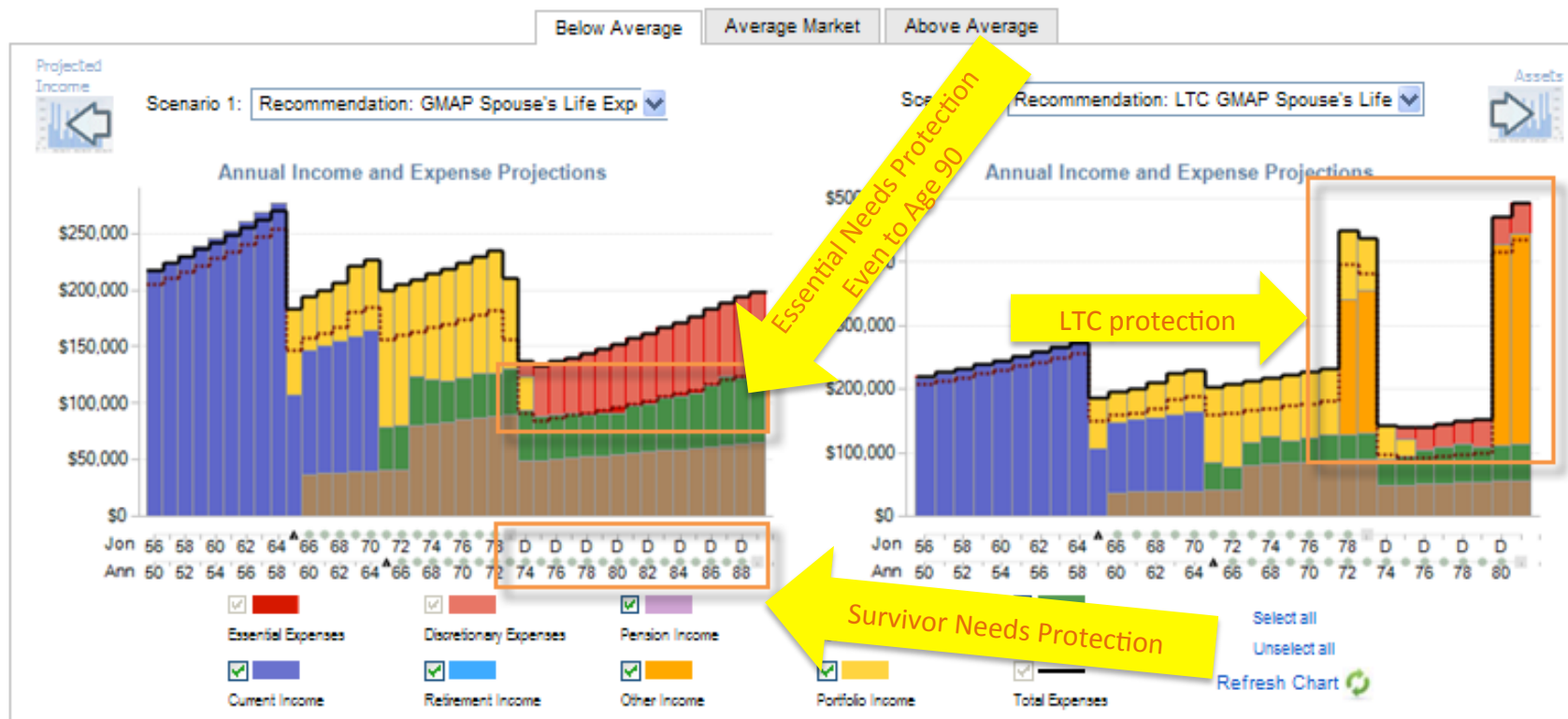
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Get Them On Track...



And Explain Why



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