THE R.I.S.K. PROCESS™

RETIREMENT INCOME SURVIVAL KIT

ADDRESSING RETIREMENT RISK • TAXATION

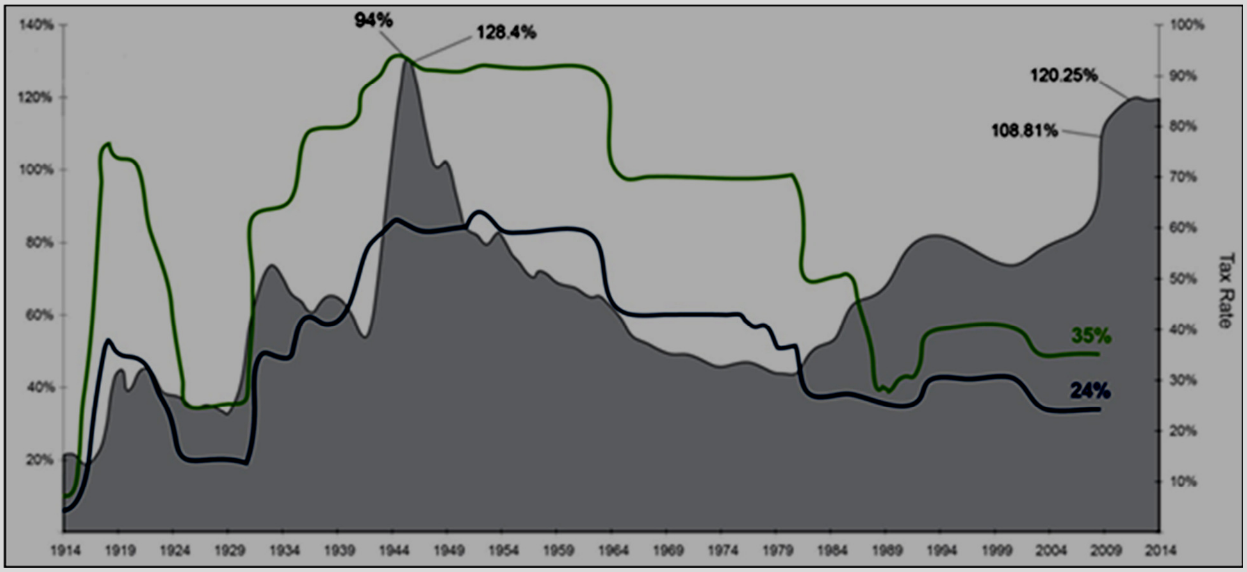
It is important to consider how taxes affect retirement savings. With the lower tax rates in recent years, the benefits of tax deferral have lessened, but with expectations of rising rates, we may see deferral become increasingly important once more.

TAX DEFERRAL HAS TWO MAJOR BENEFITS: ❶ Savings grow unhindered by taxes, enhancing the compounding effect. ❷ If savings are accumulated during peak working years, you are able to delay paying taxes until you retire, at which time you are more likely to be in a lower tax bracket.

The increased compounding of savings inside of a tax deferred vehicle can be substantial. Assume two investors each have an account balance of $1 million with an investment horizon of 35 years until retirement. Chuck invested 50% in the S&P 500 and 50% in a mix of investment-grade bonds in a taxable investment account. Dan invested in a tax deferred vehicle with the same allocation. At retirement, Dan has seen his account value grow $6.6 million greater than Chuck's account value based on current tax rates. If we run the same analysis assuming the anticipated tax changes starting in 2013, Dan's account value would be over $10 million dollars greater than Chuck's due to the deferral.

	CHUCK	DAN
15% - 35% TAX RATE[1]	$17,831,456	$24,443,699
20% - 39.6% TAX RATE[2]	$14,323,349	$24,443,699

THE CHART BELOW SHOWS the highest tax rate (green), the average rate (blue) along with U.S. debt ratio. This chart Illustrates that rates are likely to keep rising in the future until national debt reverts to a lower level. As rates rise, tax deferral becomes increasingly important for accumulation planning.



[1] Assumes a flat 15% tax rate on capital gains and dividends in the S&P 500 and a 35% tax rate on increases in the Barclays Capital Aggregate Bond Index with a 33.3% turnover rate. The results of both examples are based on data collected from 1977-2011. USGovernmentSpending.com [2] Assumes a flat 20% tax rate on capital gains in the S&P 500 and a 39.6% tax rate on S&P 500 dividends and increases in the Barclays Capital Aggregate Bond Index with a 33.3% turnover rate, TaxFoundation.org. Any tax advice contained herein is of a general nature. Further, you should seek specific tax advice from your tax professional before pursuing any idea contemplated herein.

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