

Financial Management

How to Build Financial Security

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Financial Security - What Is It?



Why is money a problem for some people?

- Worries
- Delays
- Regrets

And a problem-solver for others?

- Confidence
- Actions
- Goals



Financial security means different things to different people.

Financial Security - Defined



A feeling of confidence that you will achieve your financial goals through the actions you are taking today.



Knowledge and actions work together to build financial security.

Do You Have Financial Confidence Now?



- Health care
- Real estate
- Taxes
- Investments
- Job security
- Savings
- Disability
- Social Security
- Insurance
- Inflation
- College costs



Discussing your concerns can help build financial confidence.

A Structure for Lifetime Financial Security

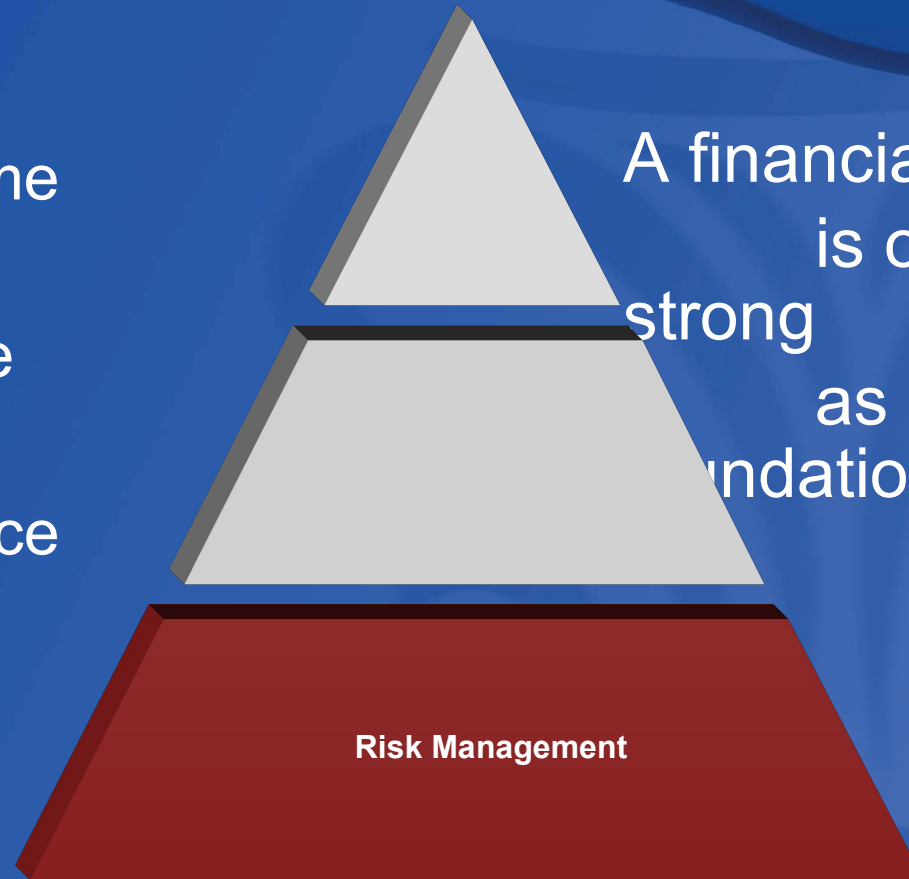


Financial security can be achieved across all life stages.

Risk Management: A Strong Foundation



- Life insurance
- Disability income insurance
- Long-term care insurance
- Health insurance
- Auto and home owner's insurance



Lifetime financial security is built on a foundation of risk management.

Protect Your Most Valuable Asset



Potential Income to Age 65

<u>Age</u>	<u>\$50K Income</u>	<u>\$100K Income</u>	<u>\$200K Income</u>
30	\$1,800,000	\$3,600,000	\$7,200,000
40	\$1,300,000	\$2,600,000	\$5,200,000
50	\$ 800,000	\$1,600,000	\$3,200,000

Your ability to earn an income is your most valuable asset.

How Much Life Insurance?



Objective


Income Replacement

Pay Off Mortgage

Education Funds

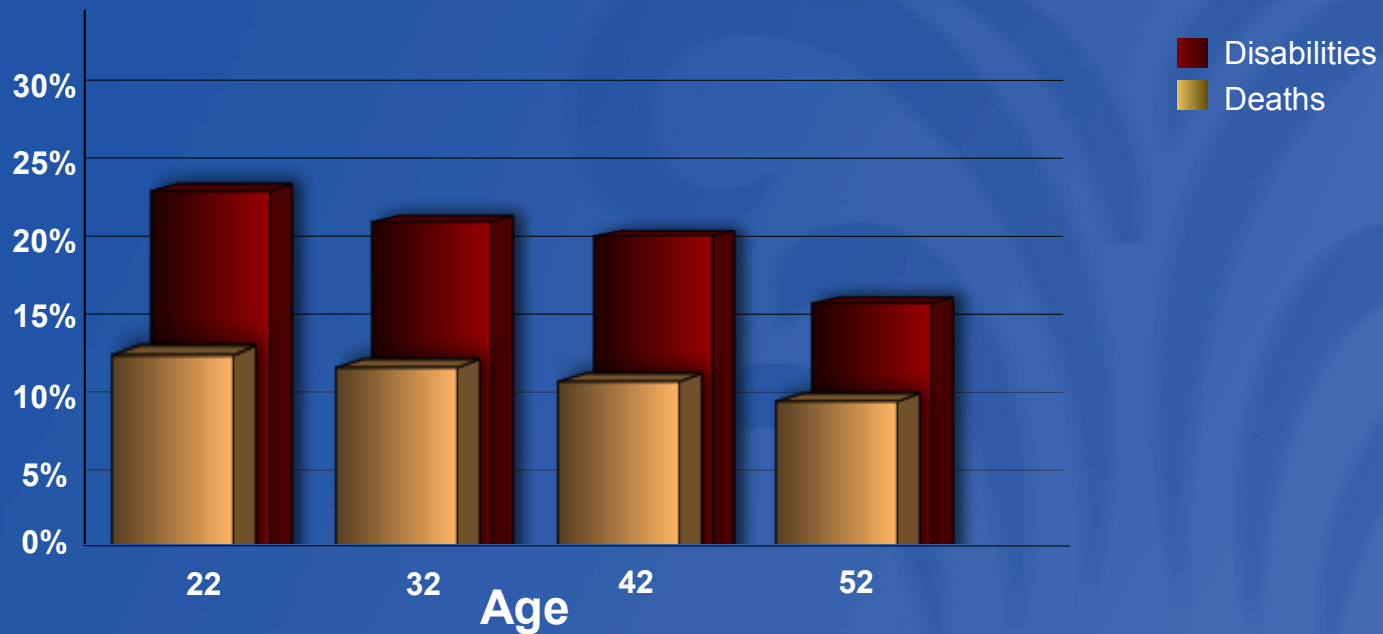
Emergency Fund

TOTAL

	<u>His</u>	<u>Hers</u>
		

The answer depends on what you want and need to accomplish.

Likelihood of Long-Term Disability vs. Death Before Age 65

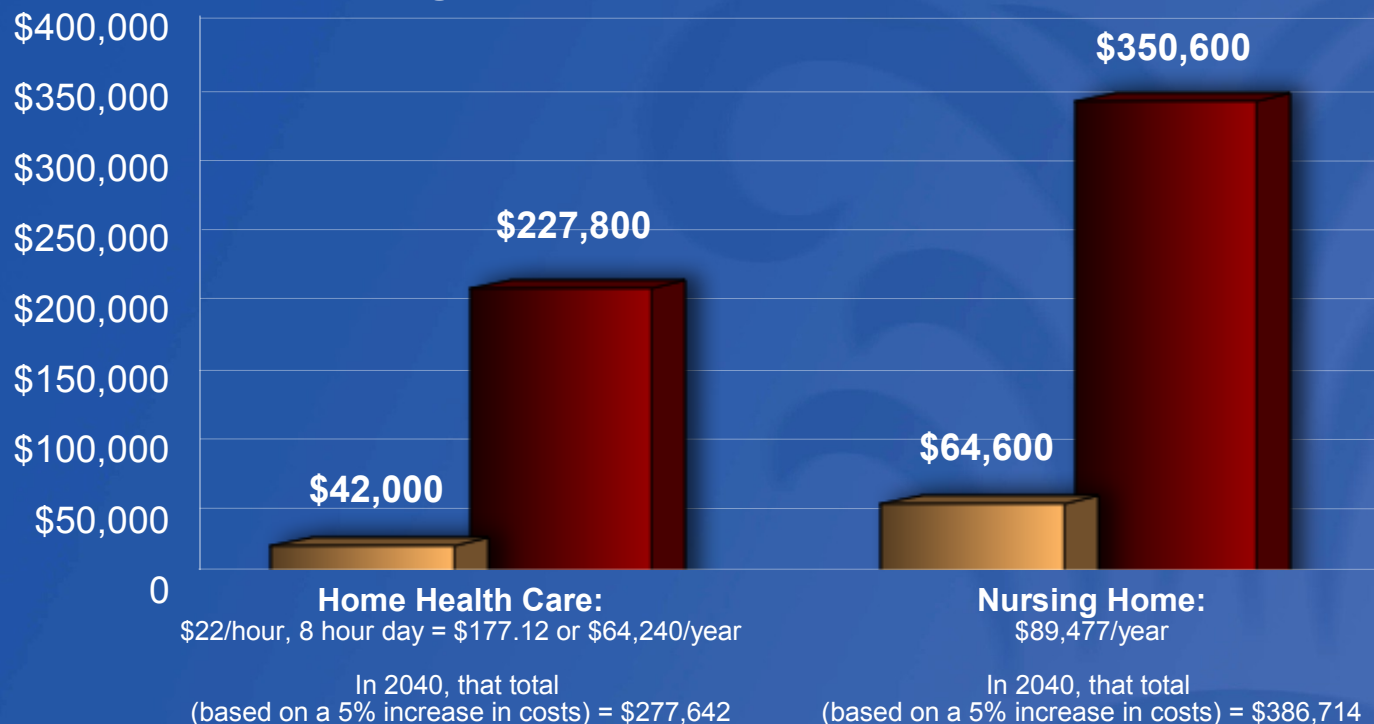


DI insurance can replace a portion of your salary if you can't work.

National Annual Projected Cost of Long-Term Care Services (2010-2040)



Assuming a 5% annual increase in costs



Planning early will allow for greater choices in care.

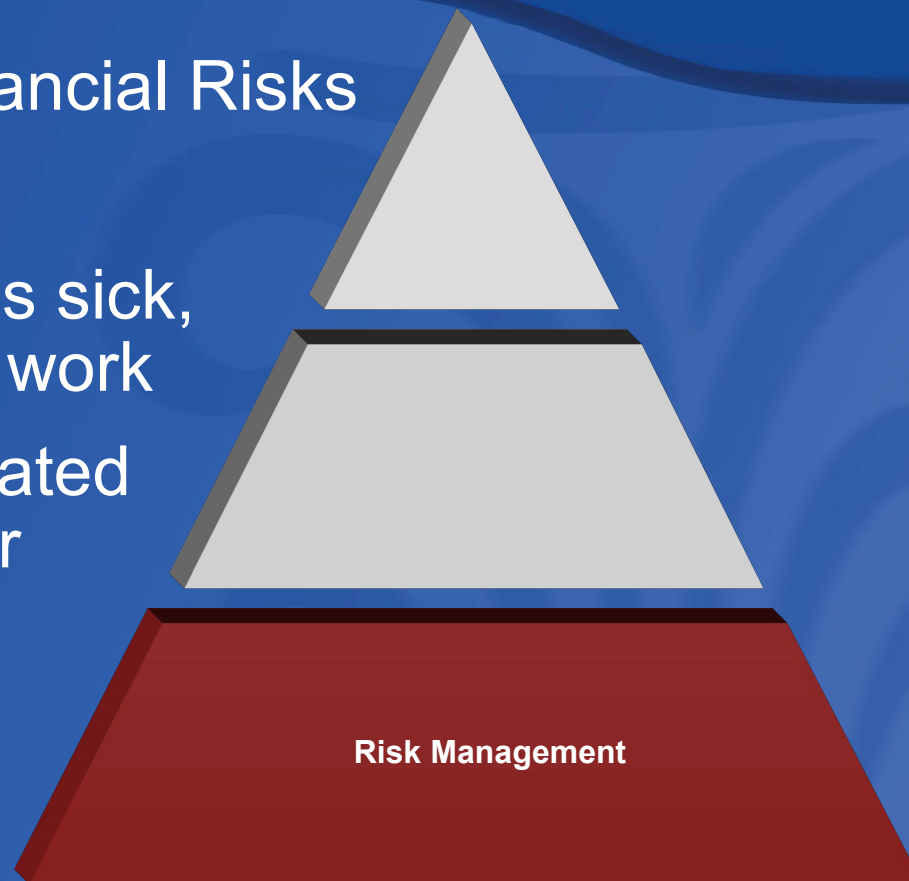
Note: These figures provide national averages. See your financial representative (a licensed insurance agent) for the average cost of care in your area. Long-term care insurance is offered through Northwestern Long-Term Care Insurance Company. Source of cost of care is the Northwestern Mutual Cost of Care Survey, July 2010, Long-Term Care Group Inc.

Risk Management Summary



Addressing Life's Financial Risks

- Premature death
- Disability, defined as sick, hurt and inability to work
- Cost of care associated with injury, illness or declining health



Proper risk management is essential to financial security.

Wealth Accumulation for Financial Security



Most great
fortunes are built
patiently over
a lifetime.



Expert guidance, diversified asset allocations, investment fundamentals.

Begin by Defining Each Goal and its Cost



Four-Year Public \$26,741

Four-Year Private \$35,635

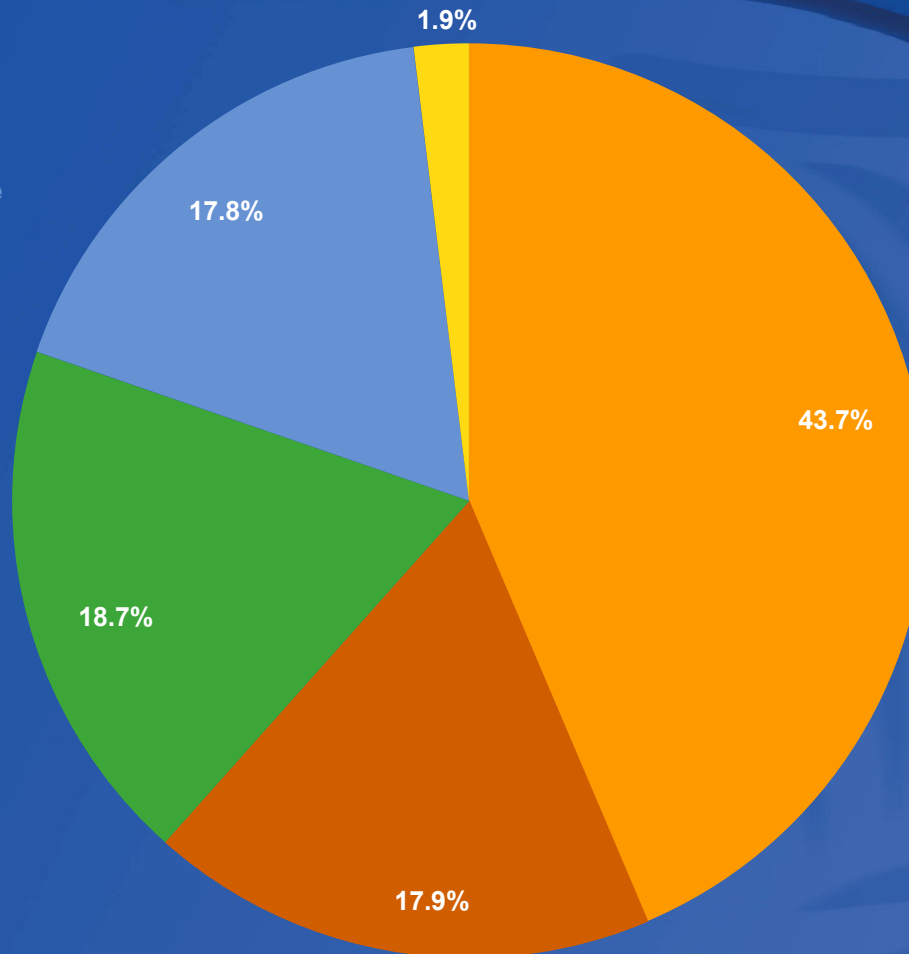


Define expected costs before making specific investment decisions.

Sources of Retirement Income



- Earned income
- Social Security
- Pension
- Investment income
- Other



Source: Income of the Population 55 or Older, 2008, Social Security Administration, Office of Research, Evaluation, and Statistics (April 2010).

Pension includes all defined benefit and defined contribution plans. Estimates are not guaranteed. © 2011 Morningstar. All Rights Reserved. 3/1/2011

Timing the Market Threatens Wealth Accumulation



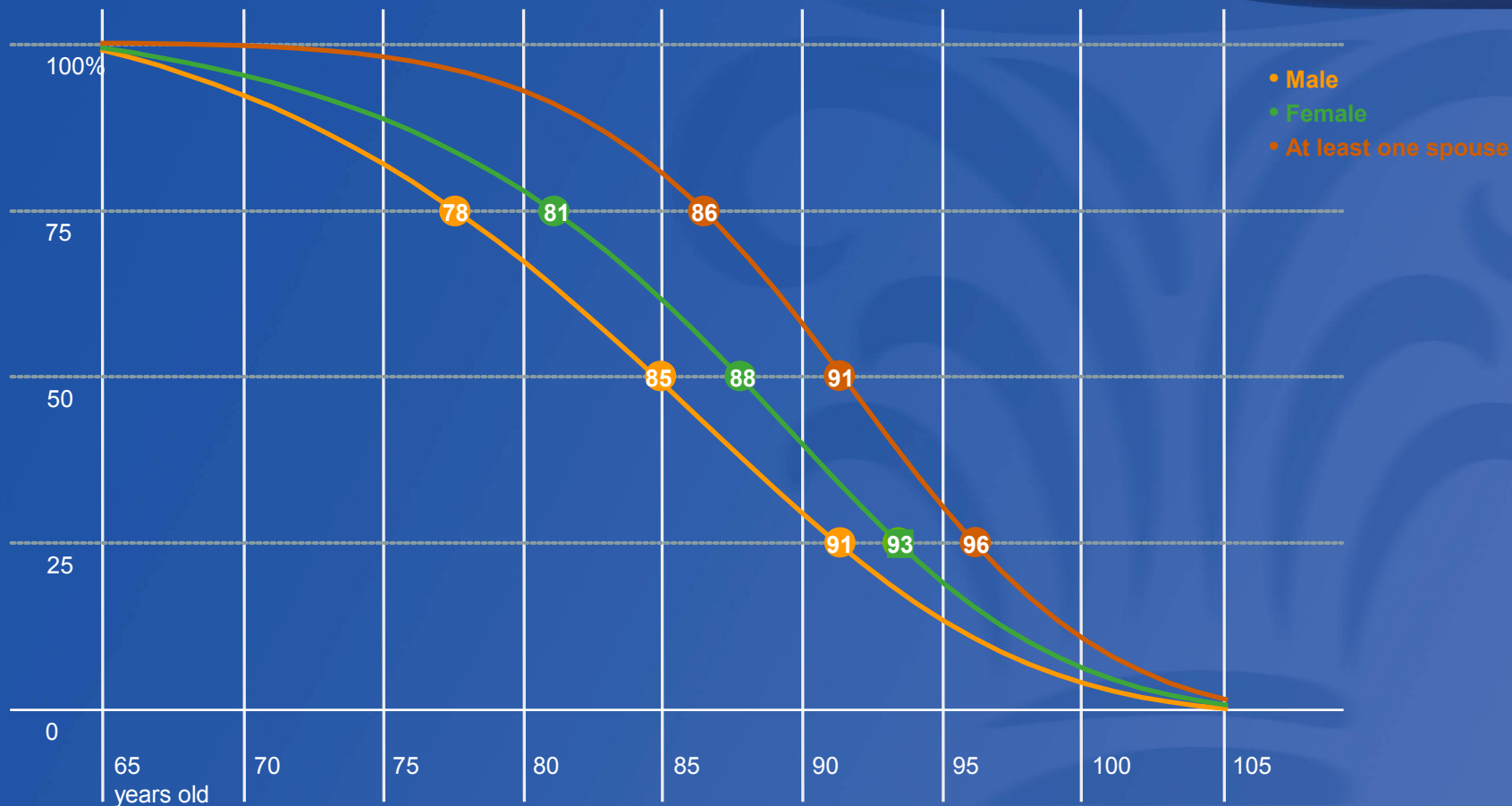
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
HIGHEST RETURN 	Real Estate 35.3%	Large Cap 33.4%	Large Cap 28.6%	Int'l Emerging 66.5%	Commodities 31.8%	Real Estate 13.9%	Commodities 25.9%	Int'l Emerging 56.3%	Real Estate 31.6%	Int'l Emerging 34.5%	Real Estate 35.1%	Int'l Emerging 39.8%	Fixed Income 5.2%	Int'l Emerging 79.0%	Real Estate 28.0%
	Commodities 23.2%	Mid Cap 32.3%	Int'l Developed 20.3%	Int'l Developed 27.3%	Real Estate 26.4%	Fixed Income 8.4%	Fixed Income 10.3%	Int'l Developed 39.2%	Int'l Emerging 26.0%	Commodities 21.4%	Int'l Emerging 32.6%	Commodities 16.2%	Cash 1.8%	Mid Cap 37.4%	Mid Cap 26.6%
	Large Cap 23.1%	Small Cap 25.6%	Mid Cap 19.1%	Commodities 24.4%	Mid Cap 17.5%	Small Cap 6.5%	Real Estate 3.8%	Small Cap 38.8%	Small Cap 22.6%	Int'l Developed 14.0%	Int'l Developed 26.9%	Int'l Developed 11.6%	Small Cap -31.1%	Int'l Developed 32.5%	Small Cap 26.3%
	Small Cap 21.3%	Real Estate 20.3%	Fixed Income 8.7%	Large Cap 21.0%	Small Cap 11.8%	Cash 4.1%	Cash 1.7%	Real Estate 37.1%	Int'l Developed 20.7%	Mid Cap 12.6%	Large Cap 15.8%	Mid Cap 8.0%	Commodities -35.7%	Real Estate 28.0%	Int'l Emerging 19.2%
	Mid Cap 19.2%	Int'l Emerging 11.6%	Cash 5.1%	Mid Cap 14.7%	Fixed Income 11.6%	Mid Cap -0.6%	Int'l Emerging -6.0%	Mid Cap 35.6%	Mid Cap 16.5%	Real Estate 12.1%	Small Cap 15.1%	Fixed Income 7.0%	Mid Cap -36.2%	Large Cap 26.5%	Commodities 16.8%
	Int'l Developed 6.4%	Fixed Income 9.7%	Small Cap -1.3%	Small Cap 12.4%	Cash 6.0%	Int'l Emerging -2.4%	Mid Cap -14.5%	Large Cap 28.7%	Large Cap 10.9%	Small Cap 7.7%	Mid Cap 10.3%	Large Cap 5.5%	Large Cap -37.0%	Small Cap 25.6%	Large Cap 15.1%
	Int'l Emerging 6.0%	Cash 5.2%	Real Estate -17.5%	Cash 4.7%	Large Cap -9.1%	Large Cap -11.9%	Small Cap -14.6%	Commodities 23.9%	Commodities 9.2%	Large Cap 4.9%	Cash 4.8%	Cash 4.7%	Real Estate -37.7%	Commodities 18.9%	Int'l Developed 8.2%
	Cash 5.3%	Int'l Developed 2.1%	Int'l Emerging -25.3%	Fixed Income -0.8%	Int'l Developed -14.0%	Commodities -19.5%	Int'l Developed -15.6%	Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -0.3%	Int'l Developed -43.1%	Fixed Income 5.9%	Fixed Income 6.5%
	Fixed Income 3.6%	Commodities -3.4%	Commodities -27.0%	Real Estate -4.6%	Int'l Emerging -30.6%	Int'l Developed -21.2%	Large Cap -22.1%	Cash 1.1%	Cash 1.2%	Fixed Income 2.4%	Commodities 2.1%	Real Estate -15.7%	Int'l Emerging -53.2%	Cash 0.2%	Cash 0.1%
	 LOWEST RETURN														

Potential costs and potential taxes are not usually worth the risk.

Retirees Should Plan for a Long Retirement



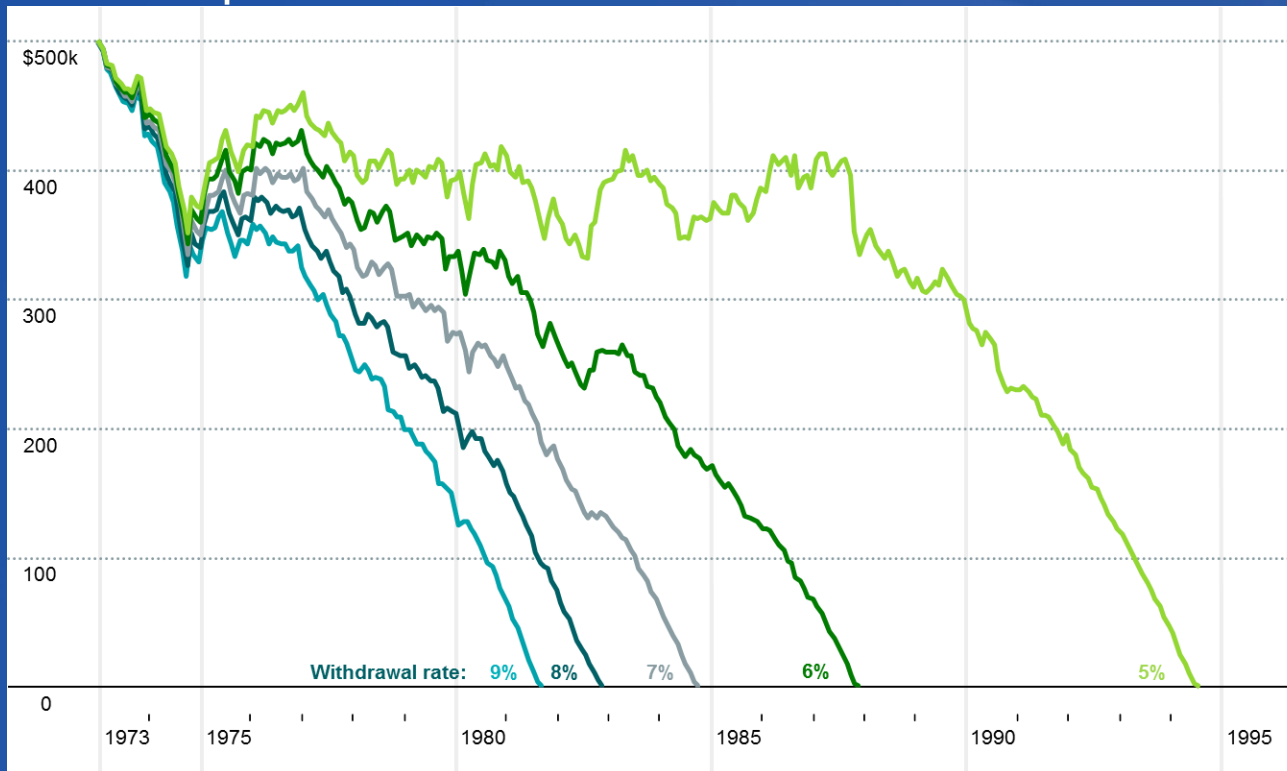
Probability of a 65-year-old living to various ages



Potential Shortfall: The Risk of High Withdrawal Rates



Annual inflation-adjusted withdrawal as a %
of initial portfolio wealth



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 and inflation by the Consumer Price Index. An investment cannot be made directly in an index. Each monthly withdrawal is adjusted for inflation. Each portfolio is rebalanced monthly. Assumes reinvestment of income and no transaction costs or taxes.

Investment decisions and withdrawal rates can affect asset depletion.

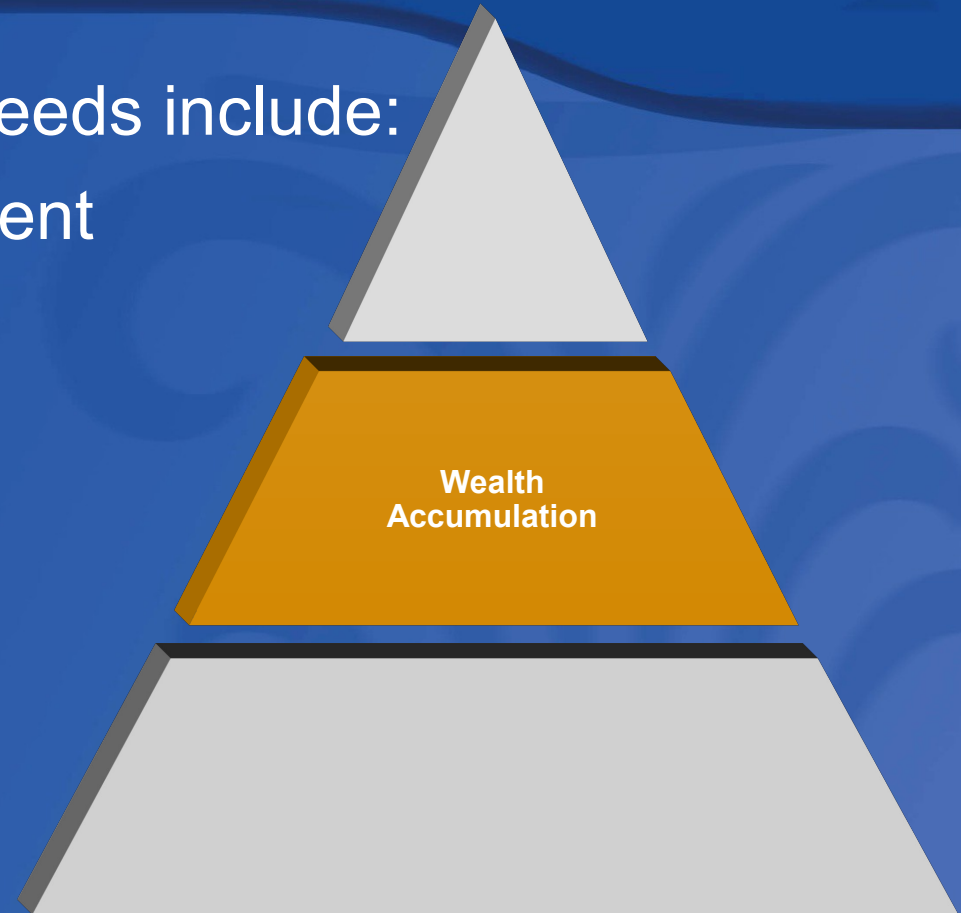
Past performance is no guarantee of future results. Hypothetical value of \$500,000 invested at the beginning of 1973. Portfolio: 50% large stocks/50% intermediate-term bonds. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2011 Morningstar. All Rights Reserved. 3/1/2011

Wealth Accumulation Summary



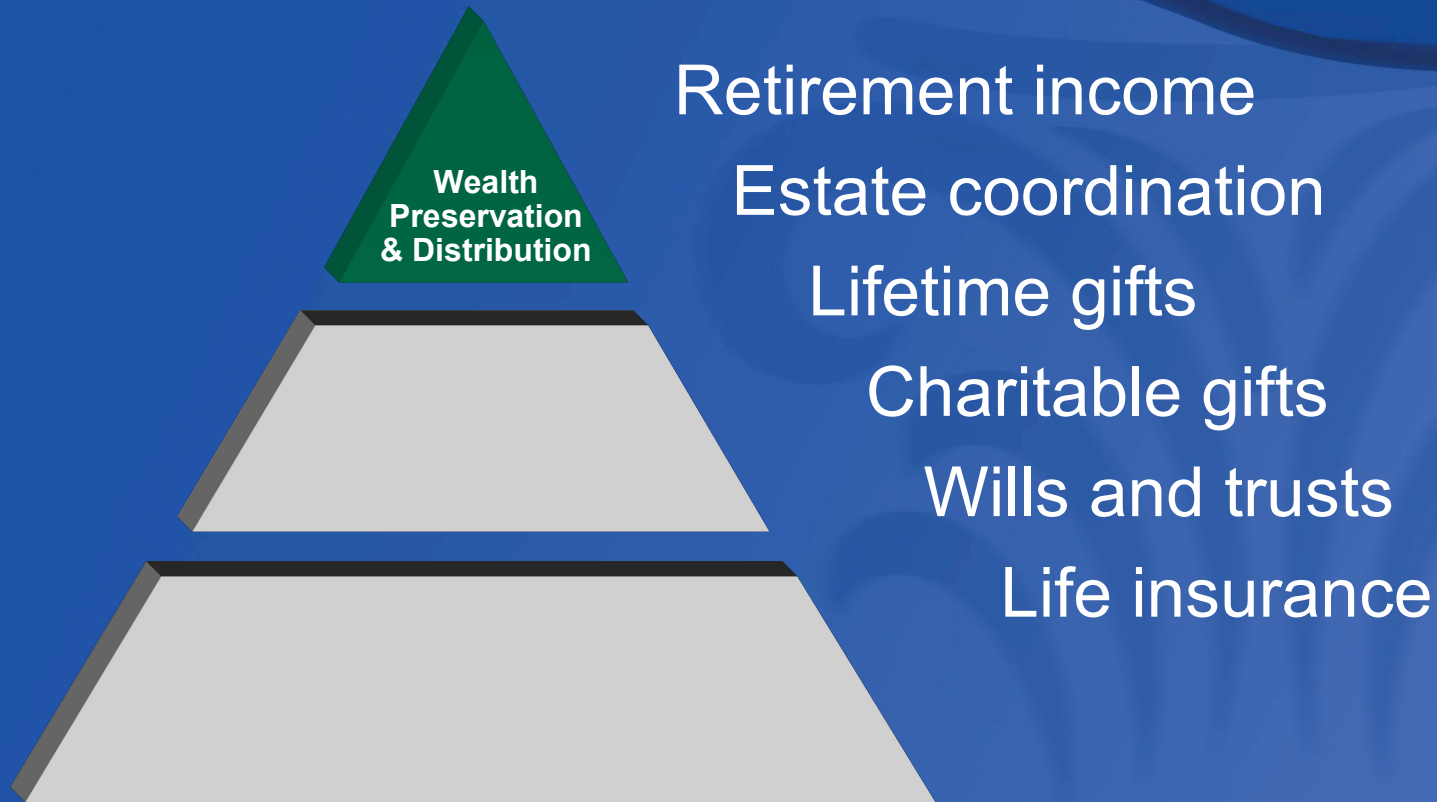
Wealth Management needs include:

- Savings and investment for retirement
- Asset allocation investment strategy based on Personal Investor Profile
- College funding vehicles



Basic investment principles and expert guidance can help you.

Wealth Preservation and Distribution



Making the most of the assets you worked so hard to accumulate.

Designing a Retirement Income



What qualities are important
in your retirement income?

Quality

- Predictability
- Flexibility
- Liquidity
- Inflation-hedge potential
- Longevity protection

So you can...

- Count on it
- Change it, if you wish
- Access cash for special needs
- Protect your purchasing power
- Be confident you won't outlive it

Not all types of retirement income are equal.

Estate Preservation and Distribution



- How much do you want to leave to heirs?
- When do you want your heirs to receive the money?
- What values would you like to pass on to your children and heirs?
- Have you considered making any gifts to charity?
- When was the last time you updated your will and trust?

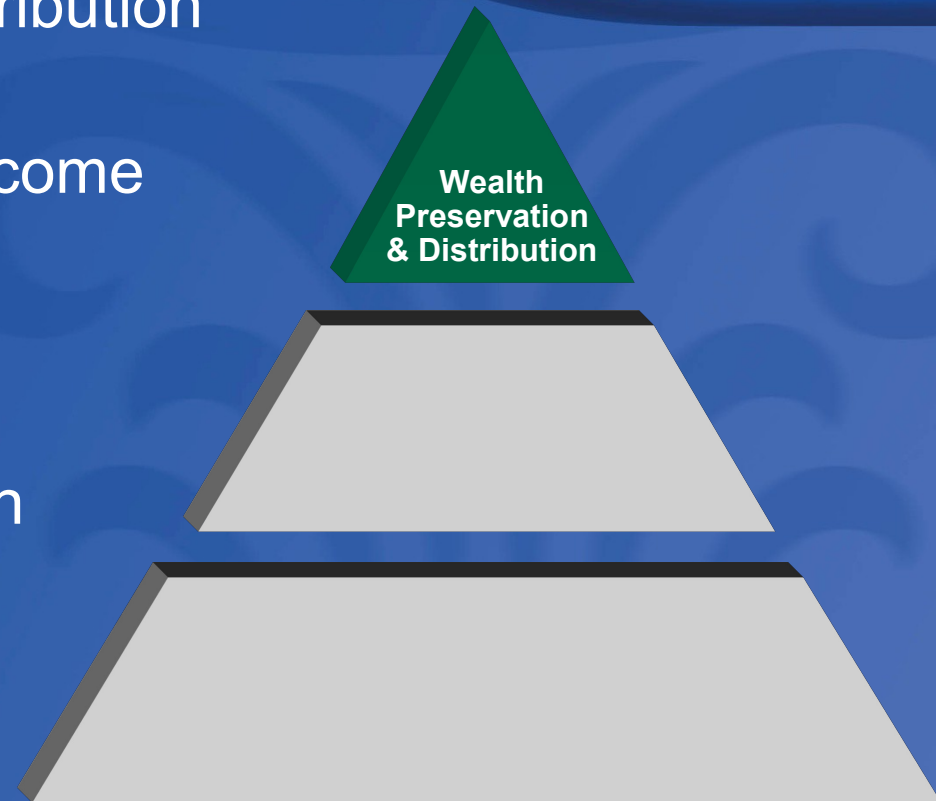
Taking the initiative now can avoid complications later.

Wealth Preservation and Distribution Summary



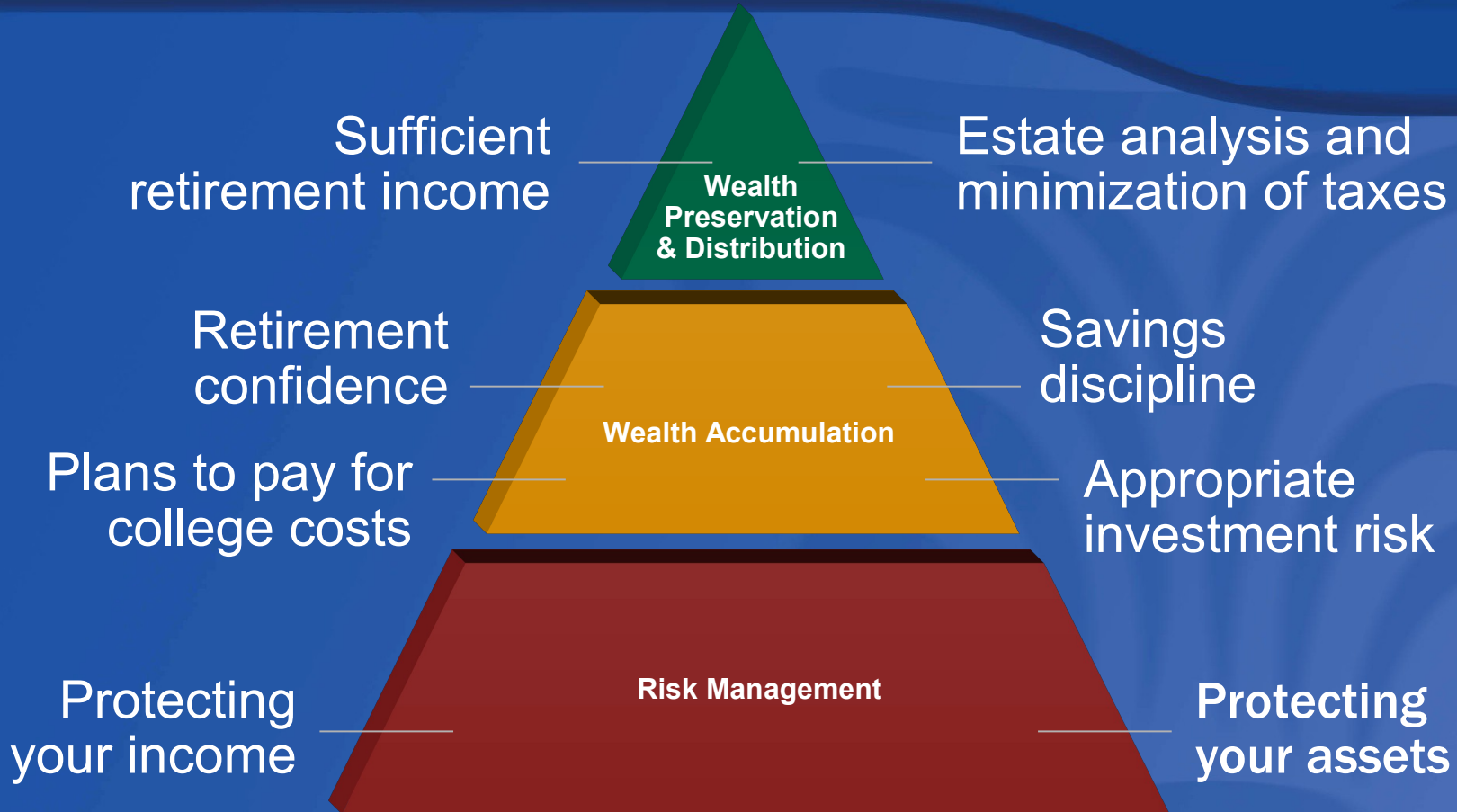
Wealth Preservation and Distribution needs may include:

- “Self-sufficient” retirement income as long as either lives
- Wills and trusts that clarify estate distribution wishes
- Lifetime gifts to grandchildren for college needs
- Life Insurance



Maybe not pressing issues now but forethought can help in the future.

Financial Confidence = Identifying Your Needs and Providing Solutions



Identifying your needs can increase your financial security.

Additional Disclosures



There is no guarantee that any of the portfolios or models in a product will meet their stated goals or investment objectives.

Investments are subject to market risk and loss of principal. The investment return and principal value of an investment will fluctuate and when redeemed may be worth more or less than their original cost. The portfolios represented on the Risk and Return Relationship graph are not based on the actual investment experience or portfolio results of any client. No investment strategy can guarantee a profit or protect against loss.

The S&P 500 Index is capitalization-weighted index of 500 stocks. The S&P 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P MidCap 400 Index is the most widely used index for mid-size companies and covers approximately 7% of the U.S. equities market.

The S&P Small Cap 600 Index is a market-value weighted index that consists of 600 small-cap U.S. stocks chosen for market size, liquidity and industry group representation.

The Morgan Stanley Capital International Europe, Australasia, and Far East (MSCI EAFE) Index is composed of all the publicly traded stocks in developed non-U.S. Markets. The MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.



The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The FTSE NAREIT Equity REI's Index is an unmanaged index considered representative of U.S. REITs.

The Dow Jones-UBS Commodity IndexSM (DJ-UBSCISM) is a broadly diversified index that allows investors to track commodity futures through a single, simple measure.

The DJ-UBSCISM is composed of futures contracts on physical commodities. It is published on Bloomberg and Reuters.

The Barclays Capital U.S. Aggregate Index (formerly the Lehman Brothers U.S. Aggregate Index) is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Citigroup 3-month Treasury Bill Index is an unmanaged index representative of three-month Treasury bills.

Please remember that all investments carry some level of risk including loss of principal invested.



How to Build Financial Security

Thank you!

Questions?

Disclosure



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