R. Jones Advisors

Greg Smith
123 Elm St
Mayfield, KS 66215
123-456-7890
092348901
Greg and Sue early retirement

Robert Jones
888-123-4567

EarlyRetire Pro™

Comprehensive Retirement Plan

This report provides a comprehensive description of your retirement plan, including a detailed schedule of your required savings contributions, and post-retirement distributions and tax liabilities. You can use the report as a guide for implementing your plan (with the help of a financial advisor), or simply to track your progress. This plan is not an advertisement or solicitation for any specific investment, investment strategy, or service, and no recommendations or projections of specific investments or investment strategies are made or implied.

This report is designed to provide an informative, general guide and is not intended to provide specific legal, accounting, investment, tax, or other professional advice. For specific advice on these aspects of your plan, consult with your professional advisors. Asset or portfolio returns shown, or used in calculations, are not intended to predict, nor guarantee, the actual results of any investments or investment style. Tax and RMD calculations in this report are rough estimates for planning purposes. Consult a professional tax advisor each year to determine your actual RMD and tax liability.

It is important to note that this plan is based on financial figures input on the plan date; results provided may vary with subsequent uses of the program. You should recalculate your plan periodically over the course of time, as varying conditions and events will inevitably require adjustments.

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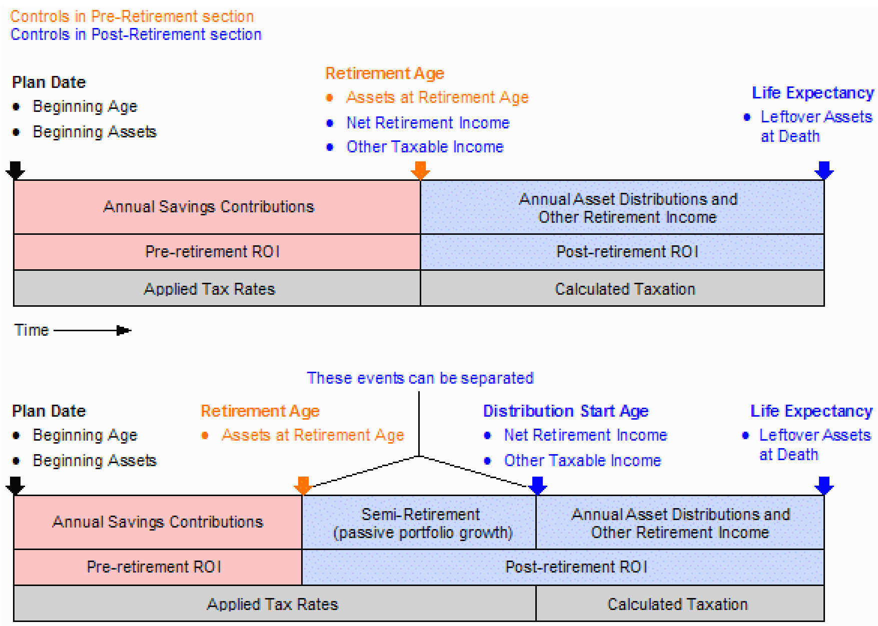
The EarlyRetire™ Retirement Plan Model

Your plan is modeled on a timeline starting with the present, at your current age with your current assets. It assumes you will invest those assets and make annual savings contributions to them until you reach "Retirement Age" (unless you're already retired). At that point or at some point afterwards, you will begin drawing a retirement income, all or part of which will come from distributions of your invested assets, until you die. Both before and after you retire, your assets will grow depending on the way you invest them (your Return On Investment, or "ROI"), as well as the way they are taxed. There may also be other asset inflows and outflows along the way, including social security, pension income, college expenses, etc.

The diagram below shows the relationship of the variables described in your plan and how they fit together in this model. The red and blue colors indicate how the variables are divided into pre-retirement and post-retirement.



Tax Rules and Assumptions

It is necessary to make assumptions and simplifications in tax calculations when performing long-term planning for obvious reasons; tax rules are complicated and involve a large number of personal variables, and no one can predict what changes Congress may make to them in the future. Following is a summary of tax rules and assumptions used to create your plan:

In pre-retirement and semi-retirement years, your federal and state tax rate values are applied to taxable investment (or event) income as simple multipliers without regard for tax bracket structure, deductions or other income. Once you begin taking distributions from your assets, EarlyRetire calculates your federal income tax according to information you have supplied. It assumes that all your post-retirement income is accounted for in the available EarlyRetire variables, and that you will have no special deductions or dependents besides those you've specified.

EarlyRetire uses three taxation categories to model the tax effects of asset and savings choices: Taxable, Tax-Deferred, and Tax-Free. This distinction is important to accurately model the growth and availability of your retirement funds. The taxable status of the three investment types determines how taxation will be applied to both your current assets and savings through three taxable stages: contribution (the year in which you add an annual savings contribution), growth/earnings (each year in which an asset increases by the applicable ROI), and distribution (the year in which assets are paid out as retirement income). Be aware that these categories are simplifications of complicated tax laws, and do not fully account for all the tax effects of all types of assets.

Taxable
These are assets which produce annual taxable income. They include ordinary interest-earning or dividend-

paying investments (bank accounts, stocks, bonds, mutual funds, etc.) not contained within a qualified tax-deferred investment plan. Distributions (withdrawals) from this category are not taxed.

Tax-Deferred
These are assets which produce no taxable income until they are withdrawn to pay for living expenses. This category normally refers to qualified tax-deferred plans such as IRAs, Keoghs, 401(k), 403(b), and other employer-sponsored plans. EarlyRetire treats all tax-deferred contributions as deductible. Distributions are always taxed, and distributions taken before you are 59½ are penalized an additional 10% unless otherwise designated.

Tax-Free
These are assets which will never produce a tax liability. Roth IRAs and municipal bonds go here, as well as your equity in your home. There are special rules concerning the taxable status of Roth distributions; the earnings on Roth assets are usually taxable and subject to a 10% penalty if withdrawn before you are 59½. EarlyRetire treats 529 plans and whole life insurance equity the same as Roth earnings. Contributions to this category are not deductible.

Required Minimum Distribution
Your RMD is calculated each year using the life expectancy table (single person to age 70, uniform beyond age 70). Since your tax-deferred assets may contain those of both you and your spouse, there may be in actuality, two separate RMDs applicable to you. If your ages are different, the RMD will begin when the older partner reaches age 72 and be calculated based on an estimate of the older partner's portion of the tax-deferred assets. When both partners are 72, the RMD will be calculated based on the total of the remaining tax-deferred assets. There are a number of factors that can make EarlyRetire's estimated RMD inaccurate, and it should not be relied upon for anything other than high-level planning. Hire a tax advisor to determine what RMD laws apply to you and what your RMD(s) should really be.

A Note About ROIs
Return on Investment (ROI) values are treated as constants throughout calculation periods. This implies that market returns and asset allocation within the portfolio remain constant, even though this is unlikely to be the case in reality. EarlyRetire cannot account for varying ROIs other than allowing two separate ROIs to be used for pre- and post-retirement.

See the Distribution Algorithm description for an explanation of how the different asset categories affect your income after retirement--how they are taxed, penalized, and most efficiently distributed.

Monte Carlo Simulation and Probability Estimates

Your report includes estimates of probability of your plan's success. These estimates were obtained using a process called Monte Carlo Simulation.

Monte Carlo Simulation is a method of determining probability by repeated sampling. EarlyRetire estimates the probability of your plan succeeding by executing it 100 times over randomly selected periods in history, using actual historical stock, bond and cash market data, which it downloads from the internet. This analysis measures what is generally considered to be the greatest uncertainty associated with retirement plans: rate of return and market fluctuation. Even though EarlyRetire precisely calculates a plan based on your pre-retirement and post-retirement ROIs, the success of the plan is dependent on those ROIs being achieved in reality over the course of many years, and is vulnerable to ROI fluctuations which may cause your asset valuations to drop in early years when you're making withdrawals. By testing your plan over many periods in history, its probability of succeeding in the future can be quantitatively measured. A separate Monte Carlo Simulation is performed for the pre-retirement and post-retirement phases of your plan, so there are actually two probability results listed.

Many Monte Carlo Simulations use randomly generated ROI values to simulate portfolio performance. Random ROIs do not realistically mimic markets over time. In contrast to that approach, EarlyRetire uses randomly selected periods in real history, employing the theory that markets tend to move in cycles, thus neither bullish nor bearish periods last unabated for an extremely long time.

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Beginning Profile as of 9/28/2023

Name:	Greg Smith	Spouse:	Susan
Birthdate:	5/1/1975		7/14/1978
Age:	48.41		45.21

Assets and Liabilities

401k	$340,500	You	401(k)/401(a)	Moderate Mix	29.17%
Money Market	$61,055	You	Traditional IRA	Cash	5.23%
Russell 2K ETF	$41,907	You	Traditional IRA	Stocks	3.59%
Nasdaq ETF	$40,080	You	Traditional IRA	Stocks	3.43%
Ameristock	$27,200	You	Roth IRA	Stocks	2.33%
Am Cent Tgt 2015	$26,000	You	Roth IRA	Bonds	2.23%
REIT ETF	$20,952	You	Traditional IRA	Moderate Mix	1.80%
USAA Tax Exempt	$11,000	You	Tax-Free	Bonds	0.94%
Fidelity Fund	$35,000	Spouse	Traditional IRA	Stocks	3.00%
Fidelity Puritan	$24,000	Spouse	Traditional IRA	Moderate Mix	2.06%
Vanguard Wellesley	$22,812	Spouse	Roth IRA	Conservative Mix	1.95%
US Bank	$66,200	Joint	Taxable	Cash	5.67%
Credit Card	-$12,000	Joint	Debt	Cash	-1.03%
House	$450,440	Joint	Fixed Asset		38.59%

Total Assets:	$1,167,146	
Portfolio Assets (Consumable):	$716,706	
Tax-Free:		$87,012
Tax-Deferred:		$563,494
Taxable:		$66,200
Fixed Assets:	$450,440	
Liabilities:	($12,000)	
Net Worth:	$1,155,146	

	Stocks	Bonds	Cash Eq	
Portfolio Asset Allocation:	57.03%	25.21%	17.76%	(excludes Fixed Assets)

ROI Calculated from Asset Mix:	7.38%
Federal Tax Rate:	20.00%
State Tax Rate:	5.00%
Federal Tax Filing Status:	Married/Joint
Expected Inflation Rate:	3.10%
Roth Contribs/Conversions to Date:	$51,500

Retirement Goal (Today's Dollars)

Retirement Age:	57.50 (10/2032)	
Spouse Age:	54.30	
Net Assets at Retirement:	$1,830,619	
Portfolio Assets (Consumable):	$1,016,767	
Tax-Free:		$216,580
Tax-Deferred:		$800,187
Taxable (including debts):		$0
Fixed Assets:	$813,853	
Age to Begin Taking Distributions:	57.50 (10/2032)	
Net Annual Retirement Income:	$48,610	

Pre-Retirement Plan (Today's Dollars)

Total Annual Savings:	$29,000		
Tax-Free:		$11,000	
Tax-Deferred:		$13,000	
Taxable:		$5,000	
Planned ROI:	7.55%		
Retirement Age:	57.50 (10/2032)		
Years to Retirement:	9.09		
	Stocks	Bonds	Cash Eq
Proposed Asset Allocation*:	90.00%	5.00%	5.00%
ROI Calculated from Proposed Mix:	8.60% (for information only)		

*You specified this asset allocation for pre-retirement in the Portfolio Designer

Probability of Reaching Goal: 63.00%

Based on Monte Carlo simulation for this time period using your proposed asset allocation.

These results assume taxes on savings contributions and earnings are paid from another source (such as your salary), not from the contributions or earnings themselves.

Post-Retirement Plan (Today's Dollars)

Age to Begin Taking Distributions:	57.50	(10/2032)		
Age to Begin Taking Soc Security:	70.00	(04/2045)	(see full filing strategy below)	

You plan to consume retirement assets to pay living expenses.

Years of Distributions:	35.70		
Your Life Expectancy:	90.00		
Spouse's Life Expectancy:	90.00		
Assets Leftover at Death:	$50,000		
Net Annual Retirement Income:	$48,610		
Social Security Income:		$20,028	
Other Taxable Income:		$0	
Avg from Assets + Events - Taxes:		$28,582	
Planned ROI After Retirement:	6.05%		
	Stocks	Bonds	Cash Eq
Proposed Asset Allocation*:	72.00%	21.00%	7.00%
ROI Calculated from Proposed Mix:	8.08%	(for information only)	

*You specified this asset allocation for post-retirement in the Portfolio Designer

Probability of Meeting Income: 69.00%

Based on Monte Carlo simulation for this time period using your proposed asset allocation.

Estimated Living Expenses in Retirement (Today's Dollars)

Monthly Amounts

Food, Clothes, Entertainment:	$2,500
Utilities:	$500
Housing (rent/mortgage):	$0
Home/Auto Maintenance:	$200
Insurance:	$300
Medical/Dental:	$50
Charitable Contributions:	$0
Other:	$0

Yearly Amounts

Property Tax:	$2,000
Travel:	$4,000
Education:	$0
Other:	$0

Total Annual Living Expenses: $48,600

Planned Financial Events (Today's Dollars)

College Expenses:	From 9/1/2026 to 6/1/2030
Change to Deferred Assets:	-$30,628 per year
Inflation Adjusted at:	3.10%
Source is Taxable	
House:	From 9/28/2023 to 7/12/2068
Change to Deferred Assets:	$340,000 per year
Change to Taxable Assets:	$14 per year
Generic Change to Assets:	$790,440 per year
Inflation Adjusted at:	5.00%
Non-Taxable	
Mortgage Payments:	From 9/28/2023 to 7/1/2037
Generic Change to Assets:	-$18,000 per year
Generic Sources May Incur Tax	
Reverse Mortgage:	From 1/1/2050 to 1/1/2060
Change to Taxable Assets:	$22,971 per year
Inflation Adjusted at:	3.10%
Non-Taxable	
Spouse's Medicare Premiums:	From 7/13/2043 to 7/12/2068
Generic Change to Assets:	Calculated separately for each year (see schedule)
Inflation Adjusted at:	6.00%
Generic Sources May Incur Tax	
Spouse's Social Security:	From 7/12/2045 to 4/30/2065
Generic Change to Assets:	$5,357 per year
Inflation Adjusted at:	3.10%
Non-Taxable	
Spouse's Supp'l Spousal Benefit:	From 7/12/2045 to 4/30/2065
Generic Change to Assets:	$2,719 per year
Inflation Adjusted at:	3.10%
Non-Taxable	
Subsidized Healthcare Premium:	From 10/29/2032 to 4/30/2040
Generic Change to Assets:	Calculated separately for each year (see schedule)
Inflation Adjusted at:	8.00%
Generic Sources May Incur Tax	
Your Medicare Premiums:	From 4/30/2040 to 4/30/2065
Generic Change to Assets:	Calculated separately for each year (see schedule)
Inflation Adjusted at:	6.00%
Generic Sources May Incur Tax	
Your Social Security:	From 4/30/2045 to 7/12/2068
Generic Change to Assets:	$20,028 per year
Inflation Adjusted at:	3.10%
Non-Taxable	

Social Security and Medicare Filing Strategy

2040: You file for Medicare coverage in January at age 64.8
2043: Your spouse files for Medicare coverage in April at age 64.8
2045: You file to receive your Social Security Benefits in April at age 70.
2045: Your spouse files for their Spousal Benefit in July at age 67.
2045: Your spouse files to receive their Social Security Benefits in July at age 67.

Optimization Settings (Options used to calculate your distributions)

```
Always withdraw tax-deferred through 10% bracket
Convert excess tax-deferred withdrawals to Roth IRA
Allow 72(t) when appropriate
  Method: Amortization at 5.00%
  Use 100.00% of tax-deferred assets for 72(t) (You          (All Accounts))
  Convert to Minimum Distribution method when safe
Use $585,366 of employer-sponsored (e.g. 401(k)) assets between age 55 and 59½ (You          401k)
Additional dependent from 11/23/2005 to 6/1/2015
Allow flexible borrowing to minimize income taxes
Interest rate charged on borrowed funds = 6.00%
Monte Carlo simulation for this analysis used your proposed asset allocation.
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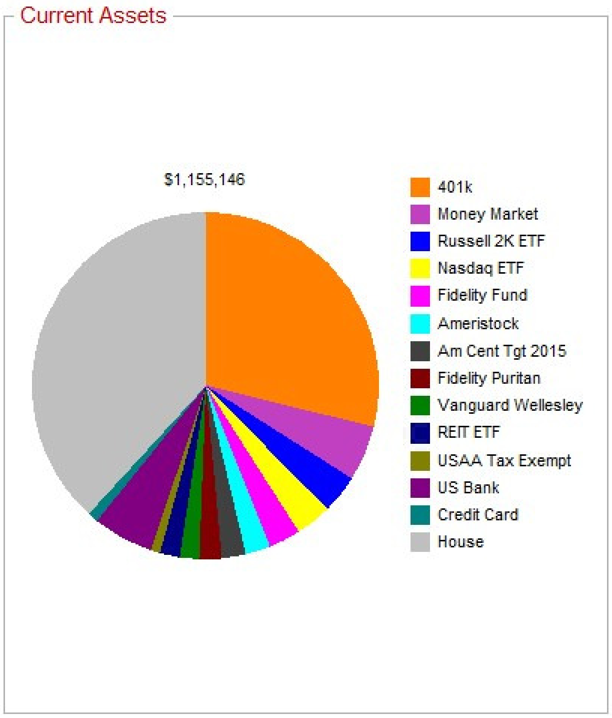
Current Assets



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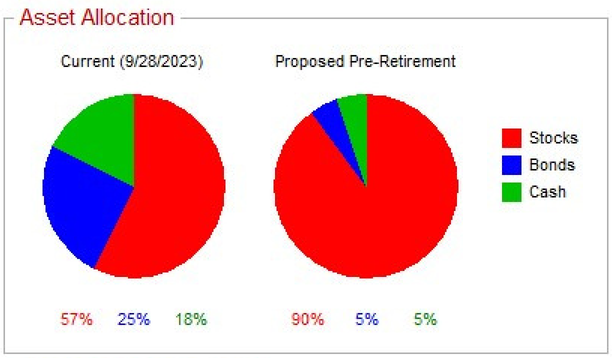
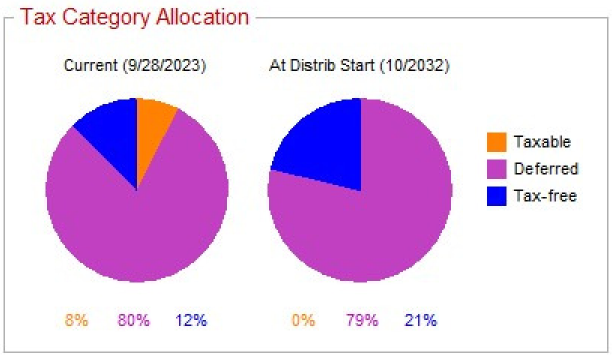
Asset Allocation



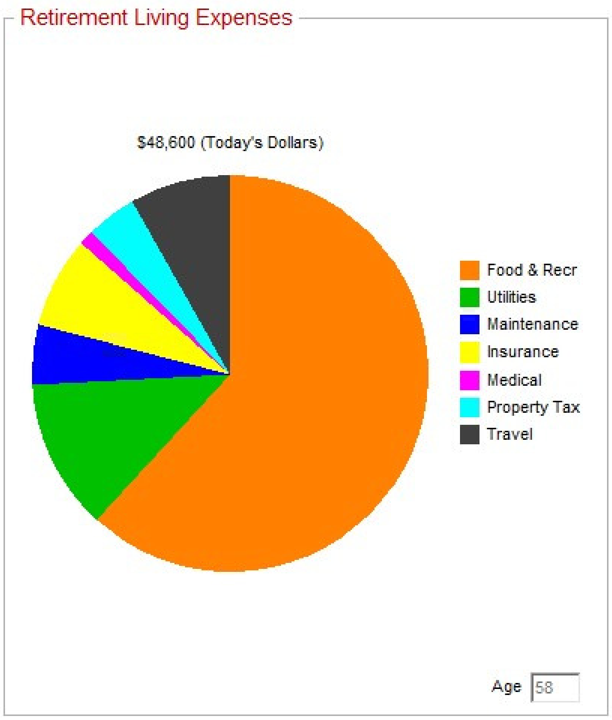


Asset Allocation:
Your current mix of stocks, bonds and cash versus the proposed mix you determined using the Portfolio Designer.

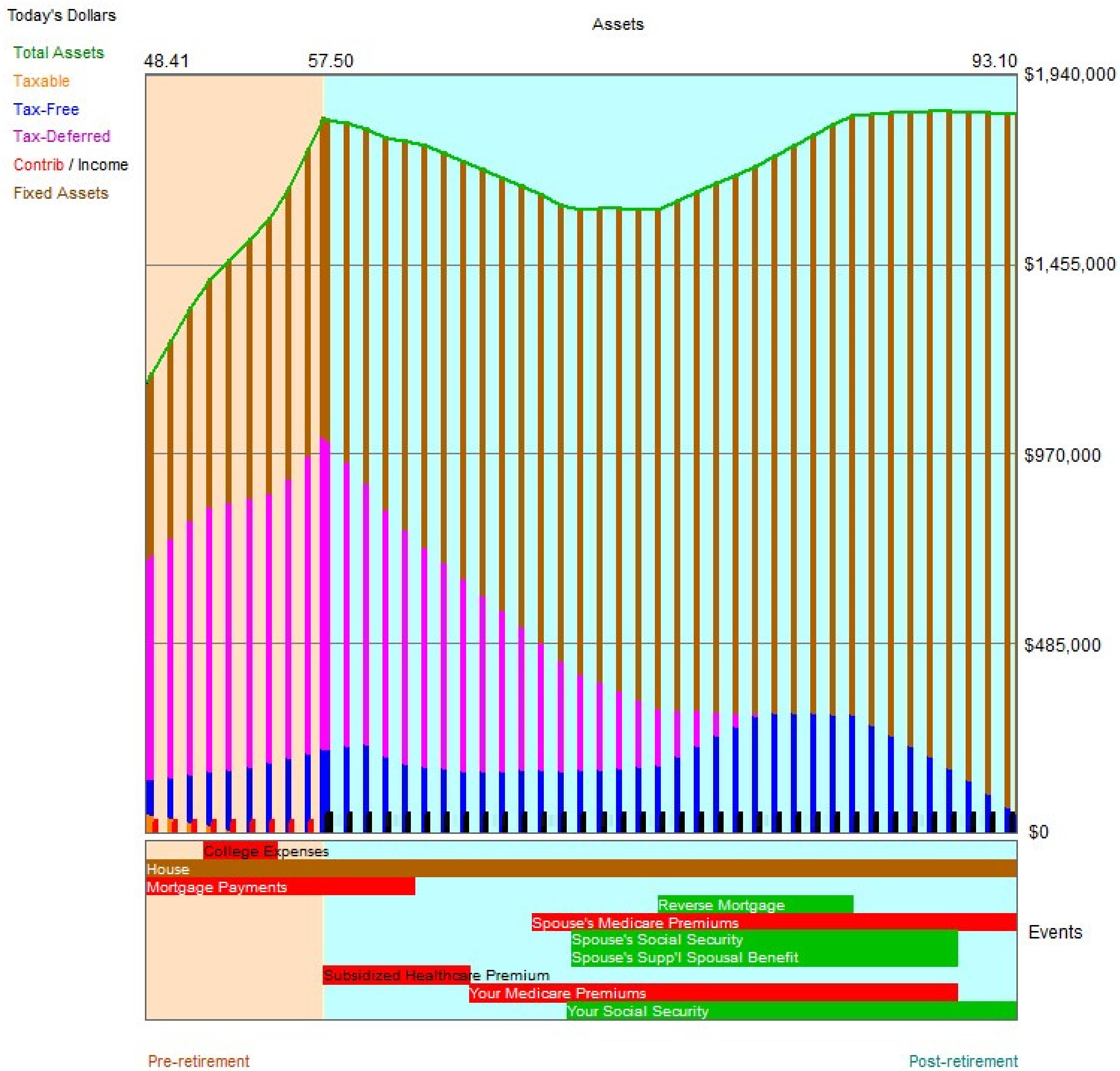
Tax Category Allocation:
Your current allocation of assets to ordinary savings and retirement accounts and what that allocation will be when you begin drawing retirement distributions.

Note: The Proposed Asset Allocation is based on your use of the Portfolio Designer to determine an appropriate asset mix, and must be set to that mix at the time this report is generated.

Retirement Expenses



Timeline



Asset Growth and Consumption Through Your Life:
This shows the value of each of your asset categories, as well as your pre-retirement contributions and net retirement income, as you execute your plan. Your Financial Events are shown at bottom. Green events are inflows, red events are outflows, and grey events represent asset transfers.

Note: The Today's/Future Dollars presentation on this chart is determined by the setting on the graph display at the time this report was generated.

Annual Savings Schedule 9/28/2023 to 10/28/2032 (Today's Dollars)

Year	Age	Taxable Savings	Tax-Free Savings	Tax-Def'd Savings	Total Savings	Event Income	Soc Sec Income	Ending Assets
2023	48.4	$1,301	$2,863	$3,384	$7,548	-$4,742	$0	$1,176,055
2024	48.7	$5,000	$11,000	$13,000	$29,000	-$17,858	$0	$1,257,571
2025	49.7	$5,000	$11,000	$13,000	$29,000	-$17,321	$0	$1,341,674
2026	50.7	$5,000	$11,000	$13,000	$29,000	-$29,493	$0	$1,415,804
2027	51.7	$5,000	$11,000	$13,000	$29,000	-$54,581	$0	$1,466,605
2028	52.7	$5,000	$11,000	$13,000	$29,000	-$54,090	$0	$1,518,689
2029	53.7	$5,000	$11,000	$13,000	$29,000	-$53,615	$0	$1,571,999
2030	54.7	$5,000	$11,000	$13,000	$29,000	-$30,813	$0	$1,650,544
2031	55.7	$5,000	$11,000	$13,000	$29,000	-$14,423	$0	$1,747,547
2032	56.7	$4,145	$9,120	$10,778	$24,042	-$11,658	$0	$1,830,619

Ending Asset Breakdown
Tax-Free: $216,580
Tax-Deferred: $800,187
Taxable: $0
Fixed Assets: $813,853

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Annual Distribution Schedule 10/29/2032 to 7/11/2068 (Today's Dollars)

Year	Age	Taxable Distrib	Tax-Free Distrib	Tax-Def'd Distrib	Event Income	Soc Sec Income	Estim'd RMD	Income Tax	Net Income	Ending Assets
2032	57.5	$0	$0	$15,860	-$5,978	$0	$0	$1,608	$8,274	$1,826,806
2033	57.7	$0	$0	$78,859	-$22,491	$0	$0	$7,757	$48,610	$1,816,451
2034	58.7	$0	$0	$82,117	-$25,222	$0	$0	$8,285	$48,610	$1,801,609
2035	59.7	$0	$38,782	$50,630	-$37,456	$0	$0	$3,346	$48,610	$1,777,675
2036	60.7	$0	$21,083	$50,630	-$19,757	$0	$0	$3,346	$48,610	$1,770,435
2037	61.7	$0	$15,073	$50,630	-$13,747	$0	$0	$3,346	$48,610	$1,761,935
2038	62.7	$0	$9,419	$50,630	-$8,093	$0	$0	$3,346	$48,610	$1,740,321
2039	63.7	$0	$9,803	$50,630	-$8,477	$0	$0	$3,346	$48,610	$1,717,501
2040	64.7	$0	$5,204	$52,134	-$5,381	$0	$0	$3,346	$48,610	$1,697,070
2041	65.7	$0	$3,556	$52,134	-$3,733	$0	$0	$3,346	$48,610	$1,677,496
2042	66.7	$0	$3,661	$52,134	-$3,838	$0	$0	$3,346	$48,610	$1,657,050
2043	67.7	$0	$4,103	$53,637	-$5,784	$0	$0	$3,346	$48,610	$1,633,811
2044	68.7	$0	$6,434	$53,637	-$8,114	$0	$0	$3,346	$48,610	$1,607,356
2045	69.7	$0	$4,094	$39,088	-$8,342	$17,117	$0	$3,346	$48,610	$1,597,244
2046	70.7	$0	$1,322	$31,101	-$8,577	$28,104	$0	$3,340	$48,610	$1,597,689
2047	71.7	$0	$1,822	$30,842	-$8,818	$28,104	$0	$3,340	$48,610	$1,597,676
2048	72.7	$0	$2,321	$30,592	-$9,066	$28,104	$0	$3,340	$48,610	$1,597,243
2049	73.7	$0	$2,819	$30,348	-$9,321	$28,104	$0	$3,340	$48,610	$1,596,241
2050	74.7	$0	-$19,528	$30,112	$13,262	$28,104	$0	$3,339	$48,610	$1,618,205
2051	75.7	$0	-$19,156	$29,884	$13,119	$28,104	$184	$3,339	$48,610	$1,640,410
2052	76.7	$0	-$18,737	$29,749	$12,841	$28,104	$0	$3,346	$48,610	$1,662,781
2053	77.7	$0	-$18,452	$29,749	$12,556	$28,104	$0	$3,346	$48,610	$1,685,183
2054	78.7	$0	-$18,160	$29,749	$12,264	$28,104	$1,631	$3,346	$48,610	$1,707,671
2055	79.7	$0	$3,746	$4,798	$11,963	$28,104	$237	$0	$48,611	$1,733,481
2056	80.7	$0	$8,854	$0	$11,652	$28,104	$0	$0	$48,610	$1,759,520
2057	81.7	$0	$9,173	$0	$11,334	$28,104	$0	$0	$48,610	$1,785,636
2058	82.7	$0	$9,500	$0	$11,007	$28,104	$0	$0	$48,610	$1,811,890
2059	83.7	$0	$9,836	$0	$10,671	$28,104	$0	$0	$48,610	$1,838,272
2060	84.7	$0	$33,029	$0	-$12,522	$28,104	$0	$0	$48,610	$1,841,349
2061	85.7	$0	$33,510	$0	-$13,003	$28,104	$0	$0	$48,610	$1,843,652
2062	86.7	$0	$33,875	$0	-$13,368	$28,104	$0	$0	$48,610	$1,845,352
2063	87.7	$0	$34,251	$0	-$13,744	$28,104	$0	$0	$48,610	$1,846,415
2064	88.7	$0	$34,638	$0	-$14,131	$28,104	$0	$0	$48,610	$1,846,890
2065	89.7	$0	$35,578	$0	-$9,672	$22,705	$0	$0	$48,610	$1,846,019
2066	90.7	$0	$36,051	$0	-$7,468	$20,028	$0	$0	$48,610	$1,844,320
2067	91.7	$0	$36,261	$0	-$7,678	$20,028	$0	$0	$48,610	$1,842,035
2068	92.7	$0	$19,271	$0	-$4,129	$10,611	$0	$0	$25,753	$1,840,896

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Plan Details and Cash Flow by Year

Savings Detail - Year 0.3: 10/2023 to 12/2023 - Age: 48.4 to 48.7 Spouse: 45.2 to 45.5 (Today's Dollars)

Assets:	Taxable	Tax-Free	Tax-Def'd	Fixed	Total	Debt
Starting Balance at 09/2023	$54,200	$87,012	$563,494	$450,440	$1,155,146	$0
Mortgage Payments°	-$4,742	$0	$0		-$4,742	
Contributions	$1,301	$2,863	$3,384		$7,548	
Asset Growth	$751	$977	$6,330	$28,009	$36,068	
Ending Balance at 12/2023	$51,511	$90,853	$573,208	$460,484	$1,176,055	$0

Notes:
All amounts are after estimated tax and inflation (prorated for partial year)
° Includes a generic withdrawal, which is drawn from the most efficient available category(s)

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Savings Detail - Year 1.3: 01/2024 to 12/2024 - Age: 48.7 to 49.7 Spouse: 45.5 to 46.5 (Today's Dollars)

	Taxable	Tax-Free	Tax-Def'd	Fixed	Total	Debt
Assets:						
Starting Balance at 01/2024	$51,511	$90,853	$573,208	$460,484	$1,176,055	$0
Mortgage Payments°	-$17,858	$0	$0		-$17,858	
Contributions	$5,000	$11,000	$13,000		$29,000	
Asset Growth	$2,760	$3,921	$24,741	$38,951	$70,374	
Ending Balance at 12/2024	$41,413	$105,774	$610,949	$499,436	$1,257,571	$0

Notes:
All amounts are after estimated tax and inflation
° Includes a generic withdrawal, which is drawn from the most efficient available category(s)

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Savings Detail - Year 2.3: 01/2025 to 12/2025 - Age: 49.7 to 50.7 Spouse: 46.5 to 47.5 (Today's Dollars)

	Taxable	Tax-Free	Tax-Def'd	Fixed	Total	Debt
Assets:						
Starting Balance at 01/2025	$41,413	$105,774	$610,949	$499,436	$1,257,571	$0
Mortgage Paymentsº	-$17,321	$0	$0		-$17,321	
Contributions	$5,000	$11,000	$13,000		$29,000	
Asset Growth	$2,308	$4,565	$26,370	$39,181	$72,425	
Ending Balance at 12/2025	$31,400	$121,339	$650,318	$538,617	$1,341,674	$0

Notes:
All amounts are after estimated tax and inflation
º Includes a generic withdrawal, which is drawn from the most efficient available category(s)

Appendix A: Distribution Algorithm

The distribution period is the post-retirement period during which assets are distributed (withdrawn) to pay living expenses. Differing tax treatment of the three asset types and the IRS rules pertaining to distributions are critical considerations to making effective use of your assets after retirement. EarlyRetire attempts to maximize the value of your distributions by minimizing taxes and penalties over the long term. EarlyRetire's algorithm (described below) can be extensively tailored via the Optimization Settings.

Your plan may incur tax-related penalties in order to maintain a constant Net Retirement Income or to maximize your income in the long run. Also remember that EarlyRetire's simulation of tax laws is generalized; you should consult a tax professional during your retirement years rather than rely entirely on EarlyRetire's calculations.

To obtain your after-tax Net Retirement Income, EarlyRetire uses the following general rules (see Optimization Settings to see how these rules can be adjusted):

- Financial Event amounts, Social Security, and Other Taxable Income are added to or withdrawn from assets at the beginning of each year. Distributions are then withdrawn to provide retirement income, and the remaining assets are adjusted for earnings growth and inflation. Taxes are then calculated and withdrawn at the end of each year.

- Enough tax-deferred assets are normally withdrawn to take advantage of your personal tax exemption and standard deduction (which essentially makes this portion of your income tax-free). If you are under 59½, there will be a 10% penalty on these withdrawals, but it is often beneficial to take them anyway (controllable in Optimization Settings).

Over age 59½:

- Distributions are withdrawn from assets in the following order: taxable first, tax-deferred second, and tax-free last, with the following exceptions...

- Tax-deferred assets are withdrawn first to meet any Required Minimum Distribution (RMD) requirements (an RMD is required if you are over 73 or 75, depending on birth year). RMD is recalculated each year based on recalculated life expectancy. If the RMD exceeds the amount needed to provide your Net Retirement Income and income tax for the year, the excess RMD withdrawn is added to your taxable assets.

- EarlyRetire will try to conserve enough tax-deferred assets throughout the distribution period to exploit your personal tax exemption and standard deduction in every year of your retirement. This practice minimizes taxes paid over the long term.

- If "Defer taxable income until age 65" is active, the general order of withdrawal is: taxable first, tax-free second, and tax-deferred last (up to age 65).

Under age 59½:

- Since Roth IRA earnings withdrawn before age 59½ are taxed as income and penalized an additional 10% (this rule only applies to Roth earnings, not your Roth contributions), Roth earnings are not withdrawn before you are 59½ unless all your other assets are depleted. Roth earnings are calculated using the proportions of your initial Roth assets and annual Roth contribution specified in the Interview. If you did not specify Roth assets in the Interview (or didn't use the Interview to enter assets), all your tax-free assets are treated as non-Roth. If you specified Roth assets but did not specify "Roth contributions made to date", all your Roth assets are treated as Roth earnings. Whole life insurance and 529 plans are also treated as Roth earnings because of similar restrictions.

- You can take penalty-free withdrawals from a 401(k) (or other employer-sponsored plan) before you are 59½ if you retire after age 55. If you have specified 401(k) funds to use early and you meet the qualifying criteria, EarlyRetire will use them between ages 55 and 59½ before it uses your tax-free assets.

- Distributions are therefore withdrawn from assets in the following order: taxable first, qualified 401(k) second, tax-free (except Roth earnings) third, tax-deferred fourth, and Roth earnings last, with the following exceptions...

- If you run out of taxable and qualified 401(k) assets before you reach 59½, EarlyRetire will try to use your tax-deferred assets penalty-free before it uses your tax-free assets. The 10% early withdraw penalty can be avoided by using the 72(t) rule (aka "SEPP" or "annuity rule"), wherein a prescribed distribution amount becomes the exact required distribution for each year. EarlyRetire will use the 72(t) method when your available taxable assets are consumed and only if you have sufficient tax-deferred assets throughout the 72(t) period to make the required distributions. There are several variations on the use of 72(t) which can be tailored in the Optimization Settings.

- If you don't have sufficient assets to use the 72(t) method, EarlyRetire will distribute your non-Roth tax-free assets first, and will apply a 10% penalty to all tax-deferred assets and Roth earnings distributed before you are 59½.

- If "Defer taxable income until age 65" (Optimization Settings) is active, the general order of withdrawal is: taxable first, tax-free (except Roth earnings) second, qualified 401(k) third, tax-deferred fourth, and Roth earnings last.

Appendix B: Glossary of Terms and Tax Rules

401(k), 403(b), 457(b) Employer-provided savings plans which are tax-deferred; contributions and earnings are not taxable, but distributions (withdrawals) are. Normally, distributions cannot be taken before you are 59½ or you must pay a 10% penalty. There is an annual limit on contributions to such plans ($23,000 in 2024 or $30,500 if over 50), which is adjusted by the IRS each year. Plan balances can be converted to traditional IRAs when you retire or change jobs. Note that these plans may also accept "after-tax" contributions, which are not tax-deferred but produce tax-deferred earnings. EarlyRetire treats all 401 (k) assets as tax-deferred, so if you intend to separate these amounts after retirement, you should categorize the after-tax amounts in EarlyRetire as tax-free.

529 Plan/Prepaid Tuition Plan State-sponsored savings plans for college expenses in which savings grow tax-free and qualified distributions (withdrawals) are tax-free. Earnings on non-qualified distributions (not used for college expenses) are subject to both taxes and 10% penalty, and there are other restrictions which vary from state to state. EarlyRetire treats such accounts the same as Roth IRAs because the IRS rules are similar for tax treatment of distributions.

72(t), SEPP (Substantially Equal Periodic Payments) Rule, Annuity Rule Terms referring to the tax law which allows penalty-free distributions from a tax-deferred IRA account prior to age 59½. A prescribed distribution amount (figured using one of three methods defined by the IRS) becomes the exact required distribution for each year. The 72(t) period goes into effect at the time you begin using tax-deferred assets and remains in effect until you are 59½ or five years have passed, whichever is the longer period. During the 72(t) period you cannot contribute to the IRA, and the exact amount of the prescribed distribution must be withdrawn each year. If you violate the rules in any year the IRS will charge retroactive "recapture" penalties (the 10% early withdraw penalty will be assessed on all prior distributions). Since you can have multiple IRA accounts, you can have multiple 72(t) plans. You should seek professional assistance if you implement a 72(t) plan.

Affordable Care Act (aka Obamacare) The health care law starting in 2014 that provides federal subsidies (tax credits) for individuals and families with taxable incomes under 400% of the federal poverty level. To qualify for the tax credit, you must obtain health insurance via your state or federal "Health Insurance Marketplace" (exchange), apply for the credit, and meet income requirements. The amount of the tax credit increases with lower income. EarlyRetire provides features to help you analyze and maximize this credit.

Distribution As used in the context of this program, a distribution is a post-retirement withdrawal from your assets. A distribution may or may not be a taxable event, depending on the type of asset category and your age at the time of the distribution.

Education IRA/ESA/Coverdell Plan IRA accounts for college expenses in which savings grow tax-free and qualified distributions (withdrawals) are tax-free. Earnings on non-qualified distributions (not used for college expenses) are subject to both taxes and 10% penalty. These accounts are geared towards minors, owned by the recipient, and impose additional restrictions on age and contribution limits. They should not normally be included in retirement assets, but if they are, EarlyRetire treats these the same as Roth IRAs.

HSA/MSA (Health Savings Account or Medical Savings Account) A tax-deferred account used in conjunction with high-deductible health insurance plans which allows annual tax-deductible contributions up to $8,300 per family in 2024 ($9,300 if over 55). Withdrawals used for medical expenses are tax-free, but any money left over is tax-deferred until you are 65. EarlyRetire treats these accounts as tax-deferred. These are not the same as Flexible Spending Accounts (FSAs) offered by employers.

IRA (Individual Retirement Account) A savings or investment account which provides tax advantages by complying with special IRS regulations. A "traditional" IRA is tax-deferred; contributions and earnings are not taxable until they are distributed (withdrawn). Distributions cannot be taken before you are 59½ or you must pay a 10% penalty. There is an annual limit on IRA contributions; $7,000 in 2024 ($8,000 if over 50).

Keogh Plan A tax-deferred retirement plan typically used by self-employed persons. The IRS no longer uses the term, and now calls these plans "Qualified Plans". There are two types: defined-contribution and defined-benefit. You can contribute up to an annual maximum of $69,000 to a defined-contribution plan in 2024. Contributions to defined-benefit plans are higher but more complex. Distribution rules are the same as those for other tax-deferred plans such as a traditional IRA or 401(k).

Monte Carlo Simulation A statistical method of determining probability by repeated sampling. EarlyRetire uses Monte Carlo simulation in two ways: 1) To estimate the probability of your plan's success. By executing the plan many times over randomly selected periods using historical stock, bond and cash market data, EarlyRetire can calculate the probability of your plan meeting its goals. 2) EarlyRetire also uses Monte Carlo simulation in the ROI Calculator to estimate the probability of a given asset allocation achieving a certain ROI over an interval of time.

Municipal Bonds Bonds issued by states or municipalities, the interest (or dividends) from which is exempt from federal income tax, and often from state income tax (depending on the issuer and state laws). EarlyRetire treats investments in municipal bonds or municipal bond mutual funds as totally tax-free.

MRD (Minimum Required Distribution) See RMD

Qualified Distribution A distribution from a tax-deferred or tax-free investment plan which conforms to IRS guidelines making it free of IRS penalties. All distributions after age 59½ are qualified and most earlier distributions are not, but there are ways in which earlier distributions can be qualified (education expense, first home purchase, childbirth or adoption, etc). Non-qualified distributions are generally subject to both income taxes and a 10% penalty.

Reality Retirement Planning A term coined by CFP Ty Bernicke, Reality Retirement Planning describes a concept gaining increasing attention as a more accurate retirement planning model. Reality planning assumes that a household's real spending will decrease incrementally throughout retirement as indicated by the U.S. Bureau of Labor's Consumer Expenditure Survey, and adjusts spending estimates accordingly. Data from the Survey show that household expenditures actually decline as retirees age (for example, people 75 and older spend close to 50 percent less than those 55-59). Bernicke's research is corroborated by similar studies, and provides strong evidence that people of all generations spend less, by choice, as their age increases. Consequently, the studies suggest, people tend to oversave for retirement, underspend in their early retirement years, or postpone retirement unnecessarily. EarlyRetire implements Reality Planning (when this feature is selected) by decreasing Net Retirement Income by 3% per year between ages 55 and 75 (a conservative simplification of trends reflected in the Consumer Expenditure Surveys). This results in a larger Net Retirement Income at Distribution Start Age, but a smaller income (in today's dollars) after age 75. Even though it is based on actual statistics, you should realize that Reality Planning is less conservative than the conventional method, and even EarlyRetire's conservative implementation will add risk to your retirement plan.

ROI Rate of Return On Investment. The annualized rate at which you expect your combined savings and investments to grow each year.

Roth Conversion Assets in existing traditional IRA accounts can be converted to Roth IRA accounts (making tax-deferred savings tax-free). The converted amount is taxable in the year of the conversion, but the converted funds no longer carry a tax liability. EarlyRetire generally treats Roth conversions the same as Roth contributions.

Roth Conversion Ladder Used as a way to use tax-deferred savings (i.e. traditional IRA) while under 59½ without the 10% penalty, a Roth conversion ladder is a series of annual Roth conversions (see above) which begin and end before you are 55. Because you have to wait 5 years before withdrawing converted funds, you must begin doing the conversions 5 years before you'll need to use the money. So if you plan to retire at age 50, you can start a Roth conversion ladder at age 45, and you will have tax-free, penalty-free funds available in your Roth IRA to use for your early retirement that originally came from your traditional IRA. A Roth conversion ladder doesn't have to start 5 years before you retire, it just has to start 5 years before you'll need to use money from a traditional IRA. It normally doesn't need to last beyond age 54 because once you are 59½, the 5-year waiting period no longer applies. To implement a Roth conversion ladder in EarlyRetire, create a "Roth Conversion Ladder" Financial Event.

Roth IRA An Individual Retirement Account which is tax-free; earnings and distributions (withdrawals) are not taxable after you are 59½. If you take distributions before you are 59½, the earnings portion is taxable and penalized 10%. Unlike traditional IRAs, contributions to Roth IRAs are not deductible. There is an annual limit on Roth IRA contributions; $7,000 in 2024 ($8,000 if over 50).

Roth 401(k), Roth ERSA A variation of 401(k) plans enacted in 2006 which allows non-deductible contributions which are then treated as tax-free; earnings and distributions (withdrawals) are not taxable after you are 59½. If you take distributions before you are 59½, the earnings portion is taxable and penalized 10%. Be careful to categorize contributions and savings in these accounts as tax-free, not tax-deferred as a regular 401(k) would be.

RMD (Required Minimum Distribution) After age 73, the IRS requires that you distribute (withdraw) a minimum amount from your tax-deferred savings plans (IRAs, 401(k)s, etc.) each year. This amount is determined each year using a method prescribed by the IRS.

Semi-Retirement An EarlyRetire term referring to an interval of time during which you are neither contributing to, nor withdrawing from, your retirement assets (between your Retirement Age and Distribution Start Age). EarlyRetire makes no assumptions about where living expenses are obtained during this period, and applies the pre-retirement tax rates to earnings on your invested assets.

SEP IRA, SARSEP IRA, SIMPLE IRA Individual Retirement Accounts typically used as employee retirement plans by small businesses. A SARSEP IRA has the same contribution rules as a 401(k), a SEP IRA has the same contribution rules as a Keogh plan, and a SIMPLE IRA has a $16,000 limit in 2024 ($19,000 if over 50). All have the same distribution rules as a Traditional IRA.

SEPP (Substantially Equal Periodic Payments) See 72(t).

Tax-Deferred An IRS designation given to certain types of investment plans which defers both federal and state income taxes on the invested money until it is removed from the plan. Such plans have restrictions on how much money can be contributed per year and when the money can be removed (distributed) from the plan.

Tax-Free An EarlyRetire term referring to certain types of investment plans or securities in which the earnings on invested money is exempt from federal and state income taxes, and on which any tax liability has already been paid. There is generally no tax liability on future distributions from such accounts, but there can be IRS restrictions, such as with a Roth IRA.

Taxable An EarlyRetire term referring to any money which produces annual taxable income. The term "taxable" refers to the income produced, not to distributions from such accounts, which are not taxable since taxes have already been paid.

UGMA/UTMA Account A savings account set up for the benefit of a minor and taxed at the minor's tax rate. Minors receive an exemption for unearned income and are then taxed at the 10%, 15%, etc. tiers independently of their parents' income. For this reason, such accounts are frequently used as a tax shelter. Bear in mind that such accounts may only be used for the benefit of the minor, so they should not be assigned to meet goals unrelated to the minor. Also, when the minor turns 18, he or she assumes ownership of the account. Because Congress recently tightened restrictions on eligibility of these accounts for reduced taxation, EarlyRetire treats such accounts as taxable.