

MCPlanz™



Monte Carlo Simulation Analysis

Wednesday, July 18, 2007

Client Name

Sample Client and Spouse

Advisor Name

John Q Advisor



Client Name: Sample Client and Spouse

Advisor Name: John Q Advisor

07/18/2007

Monte Carlo Simulations - Scenario Data

Sim Name	SIM #1	SIM #2
Scenario Data		
Initial Value	\$500,000.00	\$500,000.00
Scenario Time Period	01/01/1997 through 01/01/2007	01/01/1997 through 01/01/2007
Index Name	S&P 500	S&P 500
Credit Method	Stock Index	Point-to-Point
Asset Fee	0%	2%
Cap	0%	0%
Participation Rate	100%	75%
Cap / Rate	N/A	N/A



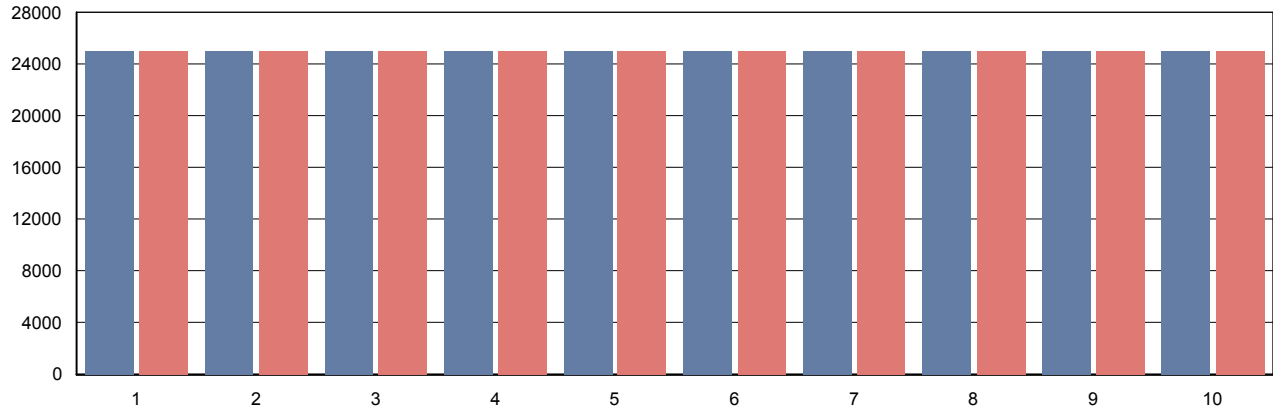
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Financial Planning Analysis - Annual Withdrawals



01/01/1997 through 01/01/2007

01/01/1997 through 01/01/2007

Scenario Year

SIM #1

SIM #2

1	\$25,000.00	\$25,000.00
2	\$25,000.00	\$25,000.00
3	\$25,000.00	\$25,000.00
4	\$25,000.00	\$25,000.00
5	\$25,000.00	\$25,000.00
6	\$25,000.00	\$25,000.00
7	\$25,000.00	\$25,000.00
8	\$25,000.00	\$25,000.00
9	\$25,000.00	\$25,000.00
10	\$25,000.00	\$25,000.00

Grand Total:

\$250,000.00

\$250,000.00

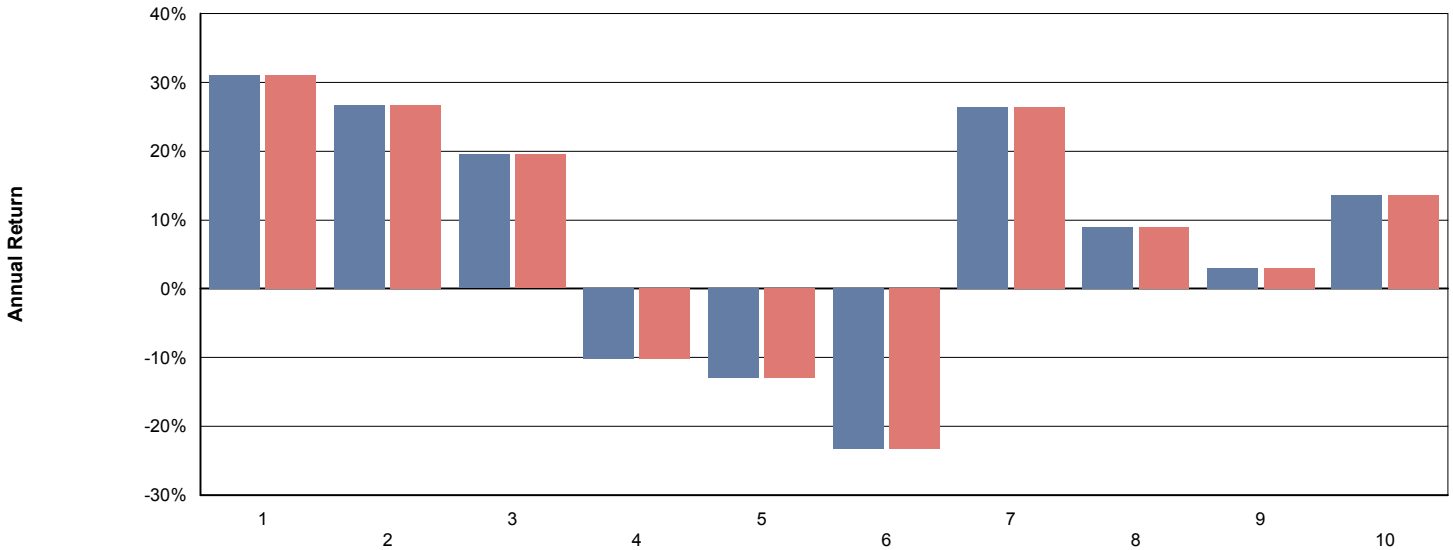


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Financial Planning Analysis - Annual Returns



01/01/1997 through 01/01/2007

01/01/1997 through 01/01/2007

Scenario Year

SIM #1

SIM #2

1	31.01%	31.01%
2	26.67%	26.67%
3	19.53%	19.53%
4	-10.14%	-10.14%
5	-13.04%	-13.04%
6	-23.37%	-23.37%
7	26.38%	26.38%
8	8.99%	8.99%
9	3.00%	3.00%
10	13.62%	13.62%

Simple Average: 8.27% 8.27%

Standard Deviation: 18.74% 18.74%



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Method of Monte Carlo Simulations - Described

Determining Possible Future Values

It is generally and widely accepted that the stock market, over time, increases in value. But what will your ending value be at the end of the growth period? You can mathematically project a possible future result by either assuming the market index will return a set rate of return each year ("averaging") or selecting returns from within a range of performance ("random generation").

The biggest problem with averaging is it does not account for the fact that the stock market returns fluctuate or can even be negative. Therefore, projected results based on averaging alone are inherently misleading.

Random generation, on the other hand, allows the computer program to select in no particular order each year's return from a range of known historical returns. For example, if an index's performance has historically fallen between 35% and -25% the computer will select at random a number between .35 and -.25 for each year's return in the growth period. The scenario or 'simulated lifetime' is then repeated a large number of times, each time with different results, and the results are compiled. Such simulations are a far more realistic projection of possible future results than averaging.

Today's computers can accomplish the millions of calculations necessary to run a complete 1,000 scenarios within just a few seconds. The computer programs that use random number generation are collectively referred to as "Monte Carlo Simulations". The name comes from the famous games of chance - especially Roulette - that personify the random outcomes that are possible from a known range of numbers.

A Monte Carlo Simulation is therefore about discovering the probability of achieving a desired result.



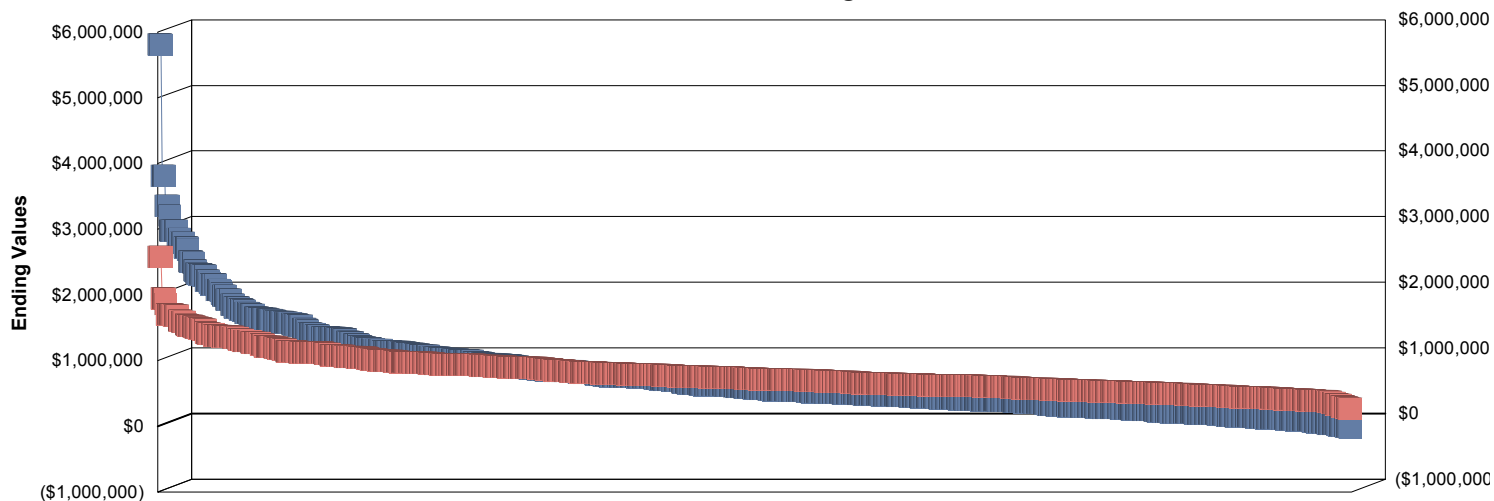
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Monte Carlo Simulations - Financial Statistics

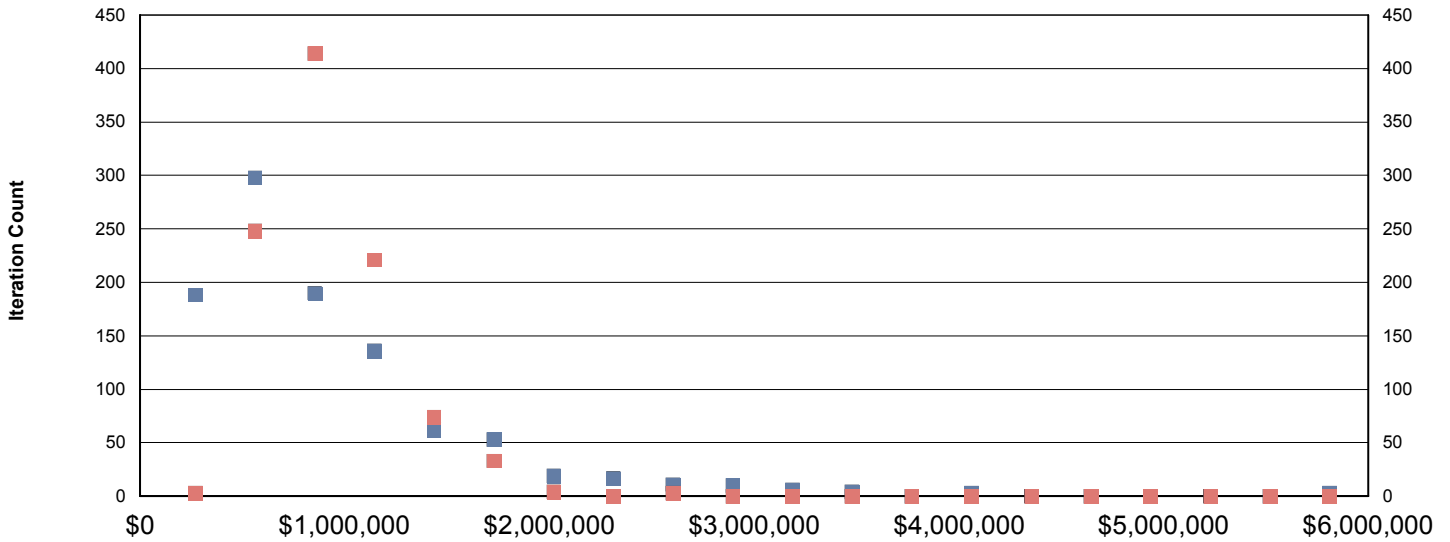
1,000 simulations sorted largest to smallest



	SIM #1	SIM #2
Maximum Value	\$5,811,987.00	\$2,580,739.00
Median Value	\$581,410.95	\$725,599.45
Mode Value	\$98,268.58	\$549,610.80
Average Value	\$777,927.77	\$787,375.33
Minimum Value	\$(20,087.45)	\$268,121.40
Standard Deviation	\$679,580.97	\$311,548.73
Max 68% Probability	\$1,457,848.79	\$1,099,079.95
Min 68% Probability	\$98,006.75	\$475,670.71



Monte Carlo Analysis - Histogram



Probability of Success

58.60%

84.70%

Upper Range Value of Results

SIM #1

SIM #2

\$5,811,986.74	3	0
\$5,520,383.03	0	0
\$5,228,779.32	0	0
\$4,937,175.61	0	0
\$4,645,571.90	0	0
\$4,353,968.19	0	0
\$4,062,364.48	3	0
\$3,770,760.77	0	0
\$3,479,157.06	4	0
\$3,187,553.35	6	0
\$2,895,949.65	10	0
\$2,604,345.94	11	3
\$2,312,742.23	17	0
\$2,021,138.52	19	4
\$1,729,534.81	53	33
\$1,437,931.10	62	74
\$1,146,327.39	136	221
\$854,723.68	190	414
\$563,119.97	298	248
\$271,516.26	188	3



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Financial Planning Analysis - Summary Statistics

01/01/1997 through 01/01/2007

01/01/1997 through 01/01/2007

Sim Name

SIM #1

SIM #2

Monte Carlo Simulation

Max of 68% Probability

\$1,457,848.73

\$1,099,079.96

Min of 68% Probability

\$98,006.77

\$475,670.70

Probability of Success

59.00%

85.00%



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Definitions

<u>Future Value</u>	the dollar value of an investment at some selected time period in the future
<u>Maximum Return</u>	when preparing a monte carlo simulation, the maximum return is the largest possible return that can be randomly generated.
<u>Minimum Return</u>	when preparing a monte carlo simulation, the minimum return is the smallest possible return that can be randomly generated.
<u>Mean</u>	the calculated average rate of return.
<u>Probability</u>	the likelihood that an illustrated ending value will occur, or that a desired outcome will be achieved.
<u>Random Generation</u>	in forecasting future value, a randomly selected number from within a defined range of numbers is selected as a possible return for each year in the
<u>Simulation</u>	each instance of the 1,000 times the monte carlo software program calculates an investment scenario and arrives at an ending value.
<u>Standard Deviation</u>	measures 68% of the potential range of annual return variance from the mean.
<u>Time Period Analysis</u>	historical time span in which the portfolio performance is evaluated.

Disclosures

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