Financial Planning Insights

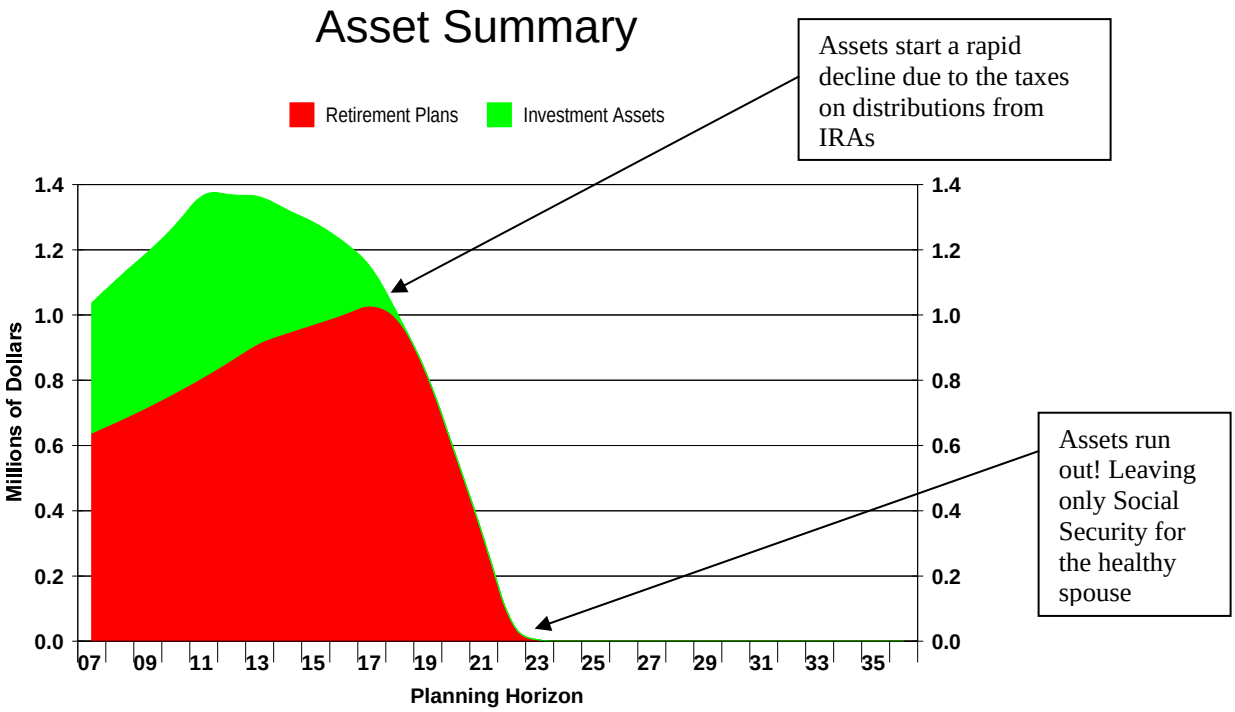
December 2007

CARNICK & COMPANY
PERSONAL FINANCIAL ADVISORS

My name is Rich Klaber and I'm part of the Carnick & Company financial planning team. Knowing your interest in comprehensive financial planning, we'd like to tell you a story about Jim and Mary Smith, who came to us with concerns about their ability to pay for long-term care costs in the future. We hope you'll find their story valuable.

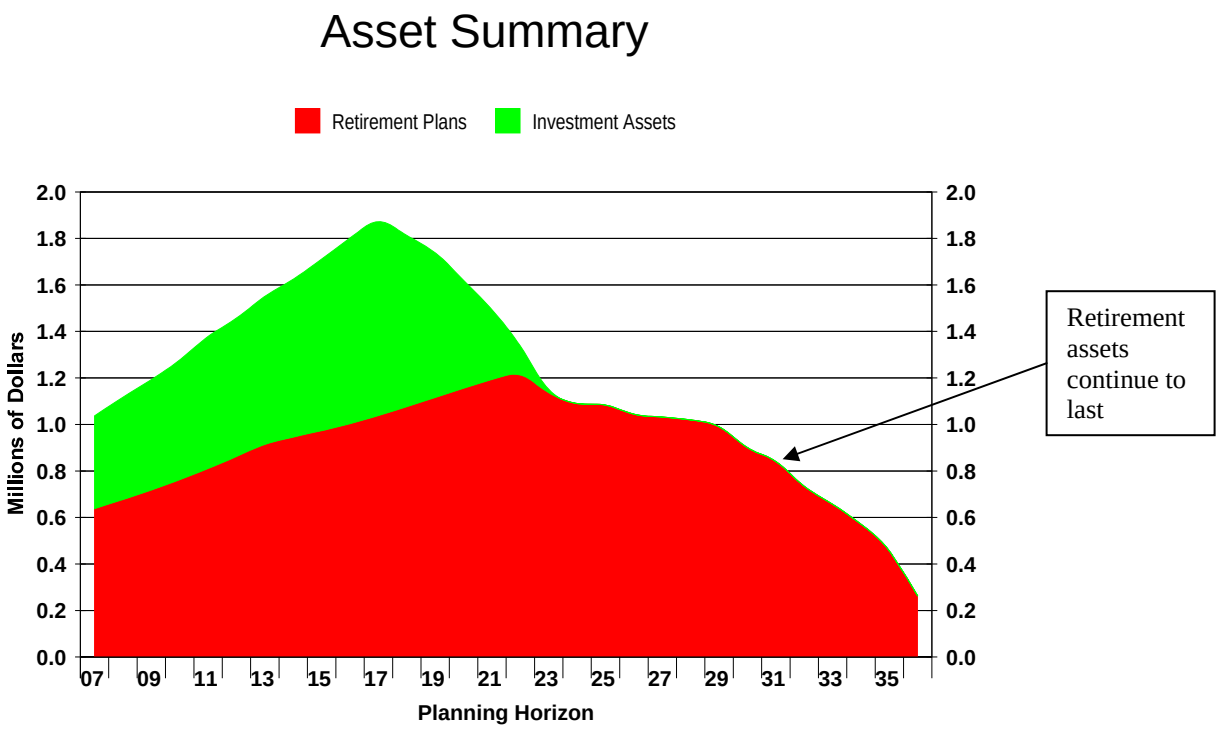
As part of our dedication to comprehensive financial planning, we first evaluated Jim's and Mary's overall financial situation. This included the integrated areas of insurance, investments, taxes and estate planning and helped us to clearly understand how each piece of their financial puzzle fit together. Believe it or not, doing this over a future thirty-year period can uncover life changing issues both positive and negative. And addressing these issues in the present can help prevent many sleepless nights.

In reviewing Jim's and Mary's existing Long-Term Care Insurance (LTCI) coverage, we projected how a worst case scenario of $80,000 in long-term care costs over 15 years would affect their net worth. What we discovered was that their existing policies fell short and would most assuredly lead to the healthy spouse's impoverishment. The chart below highlights how their investment assets would have depleted to zero after 15 years. Obviously this scenario, while hypothetical, caused concern.



Our solution was to show them how an additional LTCI policy could be purchased at a modest cost to help avoid asset depletion. Since we don't sell any financial products, John and Mary felt comfortable with our

recommendations because they were totally impartial and focused only on their needs. As you can see in the chart below, spouse impoverishment became less of an issue for the Smiths.



As time goes on there is less and less risk of a worst case scenario. In Jim's and Mary's case, they were lucky enough to have a pension, other assets, and a lifestyle that allowed them to self-insure and avoid premiums within ten years. They simply needed to insure themselves for a little while as their assets grew and their probability of long-term care exposure decreased. Jim and Mary found comfort in the solid financial plan and saved thousands by only paying the necessary premiums.

This story is just one example of how our comprehensive financial planning process helps individuals address risk, evaluate alternatives and reduce costs.

To show you how we can add value to your financial picture, we'd be happy to discuss your situation with you and help you decide whether or not long-term care insurance is necessary. Remember, we don't sell any financial products. We only sell our time and objective, fee-only financial advice. And this is your opportunity to "hire" our expertise at no cost to evaluate your situation. And in the process, you'll get a chance to see what impartial, comprehensive financial planning could do for you!

I can be reached at 579-8000 extension #5.

And as a preview, next month we will discuss the challenges faced when selecting pension benefit payment options.

Sincerely,

Rich Klaber
Financial Planning Team