

G **Grogan Advisory Services**

Financial Planning for 2006 and Beyond

Registered Representative offering services through FFP Securities Inc., Member NASD/SIPC
Registered Investment Advisory Agent offering services through FFP Advisory Services Inc.



#1 **Know your Goals**



- ***Retirement***
- ***Family Protection***
- ***Income Protection***
- ***College Savings***
- ***Tax Minimization***
- ***Emergency***



#1 Know your Goals



New Generation Needs

Long Term Care

Health Care

Pensions

What do these companies have in common?

Verizon

IBM

Halliburton

Fleet Boston Financial

AON

Hewlett-Packard

Sears Roebuck

Motorola

They have **ALL reduced or eliminated**

Health Care

and / or

Pension benefits

to their employees and retirees

Stephen Kamman, an analyst with CIBC World Markets who covers telecommunications equipment companies, like [Lucent](#), said,

"This is the beginning of an American crisis."



#1 Know your Goals



Plan not to outlive your money.

At age 65: Probability of reaching obtained age

Attained Age	Male	Female	Joint
70	93.3%	95.8%	99.7%
80	68.0%	78.6%	93.1%
90	29.5%	40.6%	58.1%
100	4.2%	6.4%	10.4%



#1 Know your Goals

The rising cost of health care

Expense	Time Period	Cost Increase	Cost 2002	Cost 2025
Drugs	1/80 - 1/01	237%	\$30	\$114
Nursing Home	12/96 - 1/01	20%	\$75,000	\$173,498
Health Care	1/80 - 1/01	274%	\$520	\$2,205

Source: Bureau of Labor Statistics, Department of Commerce, 2/02.

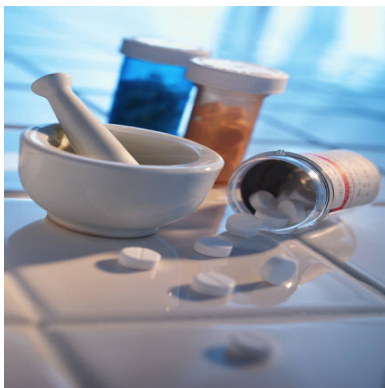


#1 Know your Goals



Health Care Trends

- *Service has increased 274% from 1980 – 2001*
- *Pharmaceuticals have increased 237% from 1980 - 2001*





#1 Know your Goals

Health Care Trends

Employers

- *Decreased health care benefits to employees*
- *Decreased health care benefits to retirees*

Leading to

- *“Consumer Driven Health Plans”*



#1 Know your Goals

Selecting Health Care Program

- ***Family History***
- ***Frequency of Use of existing plan***
- ***Affordability***



#1 Know your Goals

Health Care Options

- ***Comprehensive***
- ***MediGap***
- ***Health Savings Account***



#2 Understand the Effects of Inflation

The reduced purchasing power of cash

While a fixed rate of return for several years sounds like a stable investment, inflation diminishes the buying power of a dollar every year.

\$0.86



5 YEARS

\$0.74



10 YEARS

\$0.64



15 YEARS

\$0.55



20 YEARS

\$0.48

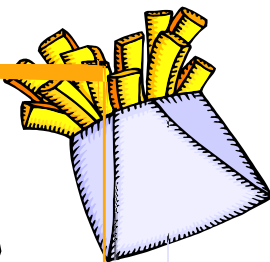
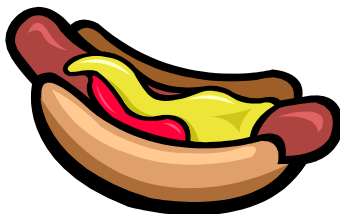
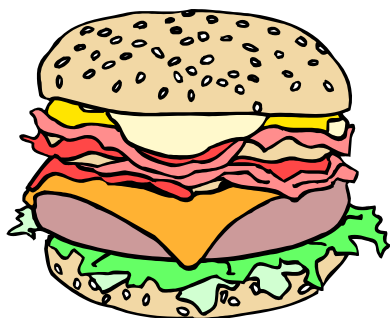


25 YEARS



#2

Understand the Effects of Inflation



How much will it cost you to during retirement?

2 people
3 meals per day
365 days per year
20 years
x \$5 per meal

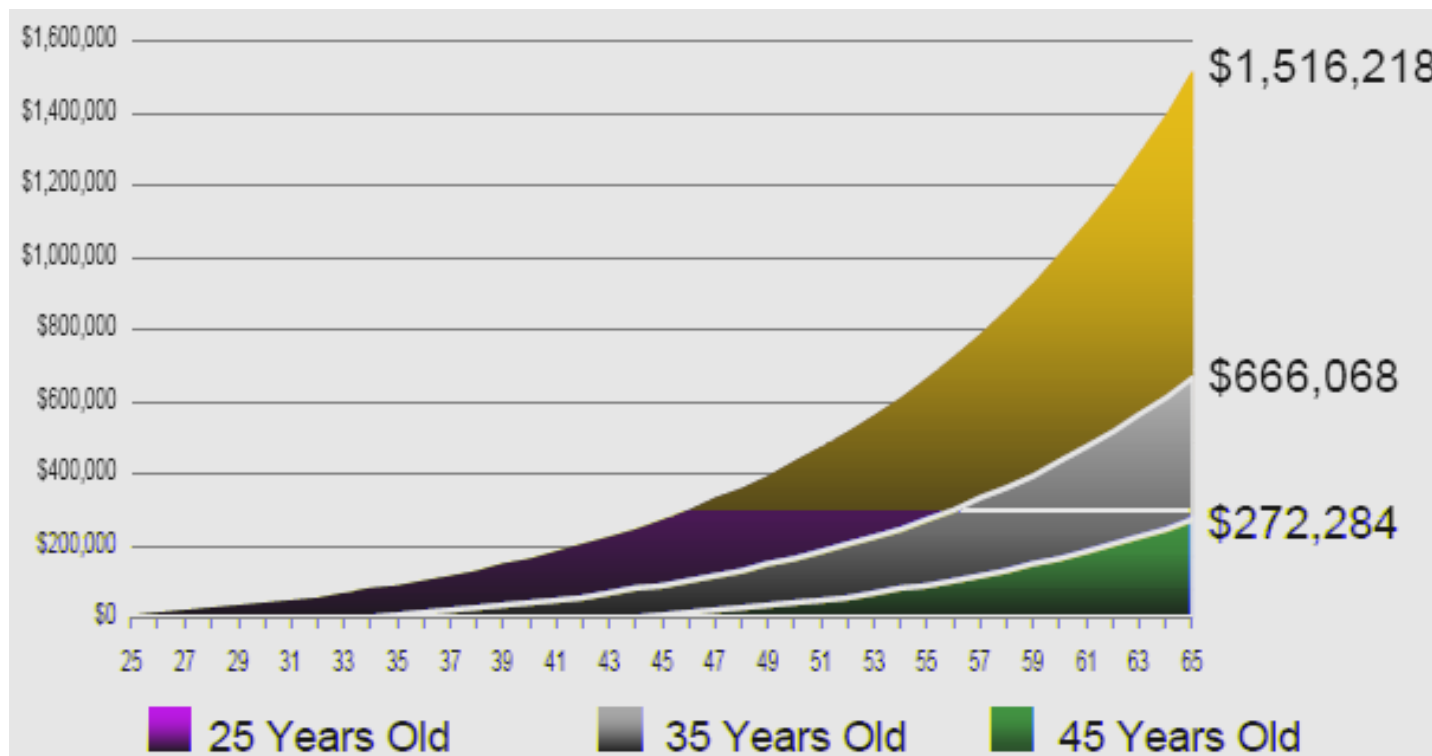
\$219,000



#3 Time - Wise

The cost of waiting

(Assumes yearly pretax contributions of \$5,000 of a hypothetical 8% annual return)





#3 Time - Wise

401(k), 403(b), 457 and SAR-SEP plan limits

Year	Contribution limit (under age 50)	Catch-up contribution limit (age 50 and over)
2004	\$13,000	\$16,000
2005	\$14,000	\$18,000
2006	\$15,000	\$20,000

Check with your employer about specific contribution limits for your plan. Adjustments to contribution limits after 2006 will be based on the rate of inflation.



#3 Time - Wise

SIMPLE plan limits

Year	Contribution limit (under age 50)	Catch-up contribution limit (age 50 and over)
2004	\$9,000	\$10,500
2005	\$10,000	\$12,000
2006	\$10,000	\$12,500

Check with your employer about specific contribution limits for your plan. Adjustments to contribution limits after 2006 will be based on the rate of inflation.



#3 Time - Wise

Traditional and Roth IRA limits

Year	Contribution limit (under age 50)	Catch-up contribution limit (age 50 and over)
2004	\$3,000	\$3,500
2005	\$4,000	\$4,500
2006	\$4,000	\$5,000
2007	\$4,000	\$5,000
2008	\$5,000	\$6,000

For IRA's, adjustments to contribution limits after 2008 will be based on the rate of inflation.





#4 Understand the Impact of Taxes

Taxable Illustration ¹		Tax-Deferred Illustration ²	
\$100,000	Starting investments	\$100,000	Starting investments
9%	Rate of return	9%	Rate of return
33%	Tax rate	33%	Tax rate
33%	Tax rate on 9% = 6% net	0%	Tax rate on 9% = 9% net
It will take 12 years to double your investment. $72 \div 6\% = 12$ years		It will take 8 years to double your investment. $72 \div 9\% = 8$ years	
\$100,000	Start	\$100,000	Start
\$200,000	12 years	\$200,000	8 years
\$400,000	24 years	\$400,000	16 years
		\$800,000	24 years

This is a hypothetical illustration and does not represent the performance of a specific investment option.

Taxable distributions (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may also be subject to a 10% federal income tax penalty. Early surrender of long-term investments may be subject to a 30% federal income tax penalty. Tax-deferred distributions are subject to ordinary income tax. Tax-deferred distributions are not subject to the 10% federal income tax penalty. Tax-deferred distributions are not subject to the 30% federal income tax penalty. Tax-deferred distributions are not subject to the 10% federal income tax penalty. Tax-deferred distributions are not subject to the 30% federal income tax penalty.



#4 Understand the Impact of Taxes

Estate tax rates

	2005	2006	2007	2008	2009	2010	2011
Estate Exclusion (\$)	1.5M	2.0M	2.0M	2.0M	3.5M	0	1.0M
Estate Tax (Max. %)	47	46	45	45	45	0	55



#4 Understand the Impact of Estate Taxes



1

Unlimited marital deduction

Property may transfer tax free to surviving spouse



2

Bypass trust

Helps preserve the estate tax exclusion for both spouses



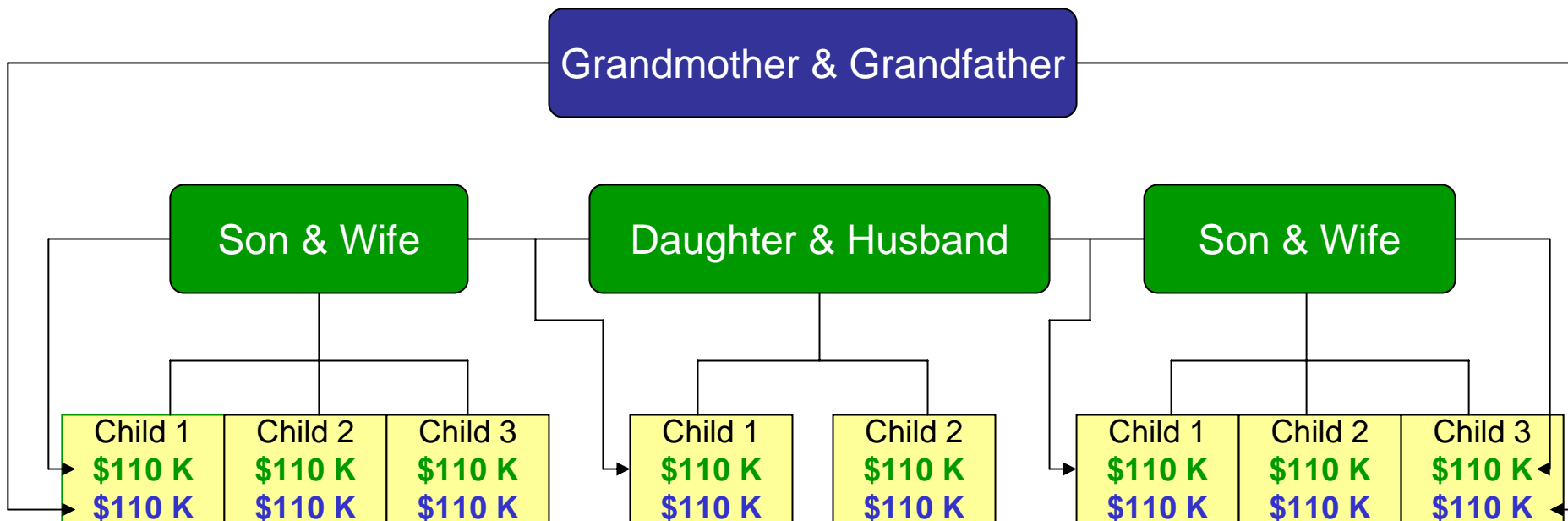
3

Gifting

Helps reduce the size of your estate, so less is taxed



#4 Understand the Impact of Estate Taxes



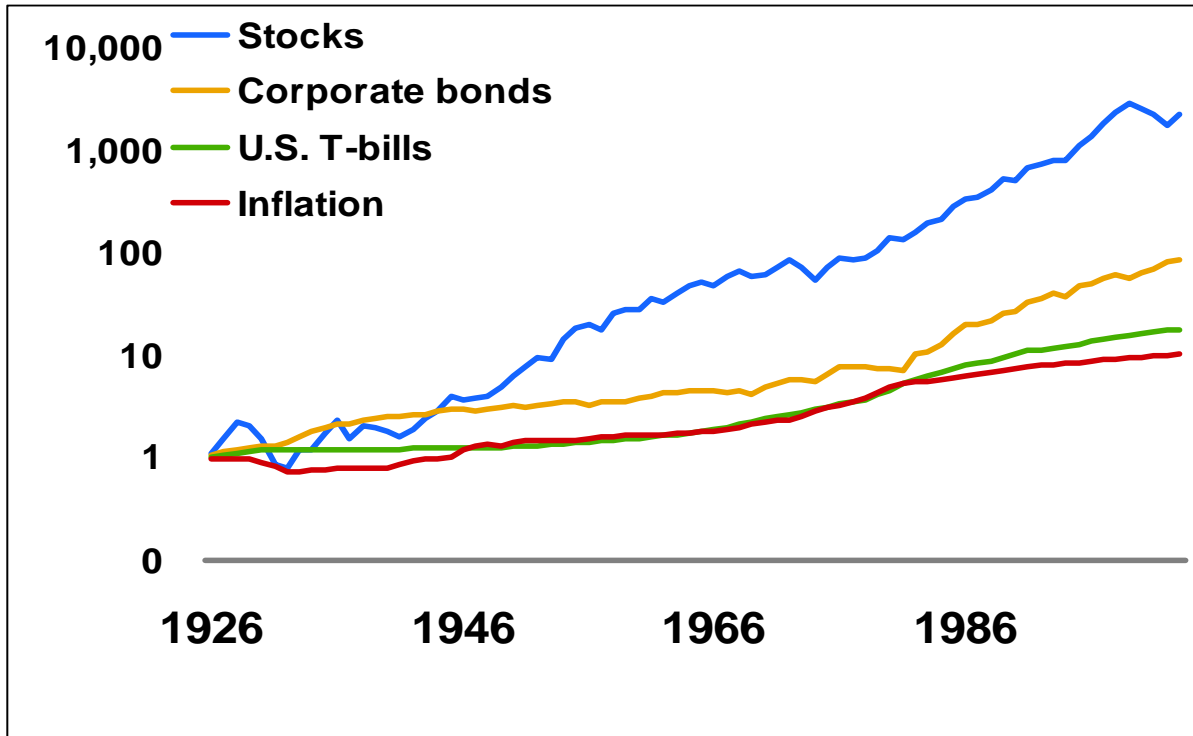
Grandparents removed \$880,000 in assets from estate

Parents removed \$330,000, \$220,000, and \$330,000 respectively from estate

For illustration purposes only. Your situation may require other strategies to be used. Please consult your tax advisor before enacting any tax strategies.



#5 The Advantages of Diversification and Equities



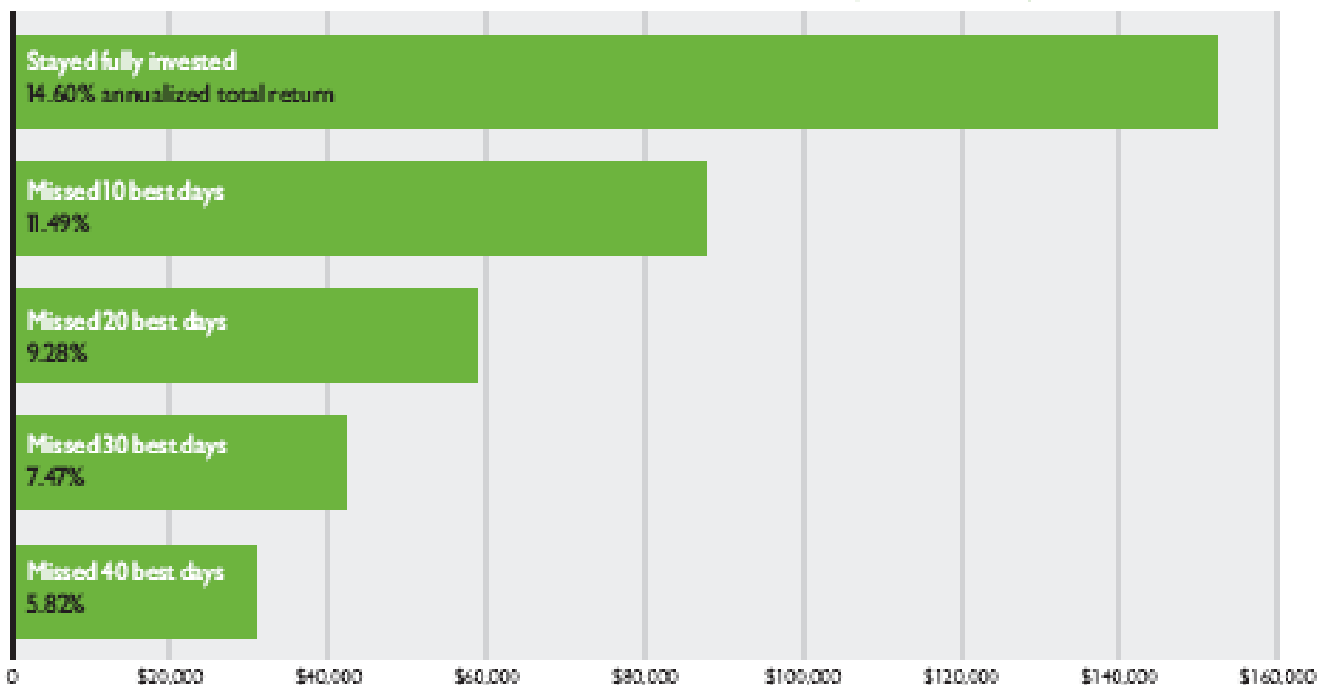
Source: Ibbotson Associates, Inc. *Stocks, Bonds, Bills and Inflation Yearbook*, 2003. Stocks are represented by data for the Ibbotson Large Company Stock Index, corporate bonds by the Ibbotson Long-Term Corporate Bond Index, government bonds by the Ibbotson Long-Term Government Bond Index, Treasury bills by the Ibbotson U.S. Treasury Bill Index, and inflation by the Consumer Price Index. Investors cannot invest directly in these indexes. Note that common stocks and bonds fluctuate in value. Corporate bonds offer a fixed rate of return if held to maturity and are not guaranteed. Inflation data does not represent an investment return. Past performance is no guarantee of future results or the results of any fund in the plan, which will fluctuate with market conditions.



#5 The Advantages of Diversification and Equities

Penalties of missing the market

\$10,000 INVESTED IN THE DOW JONES INDUSTRIAL AVERAGE (1/1/85-12/31/04)



Data is historical. Past performance is not a guarantee of future results.
The best time to invest assumes shares are bought when market prices are low.

11/28/1980	\$	10,000	\$	10,000
3/25/1981	\$	20,000	\$	19,902
12/7/1982	\$	30,000	\$	32,722
10/10/1983	\$	40,000	\$	51,079
11/6/1984	\$	50,000	\$	62,905
12/16/1985	\$	60,000	\$	91,975
12/2/1986	\$	70,000	\$	123,890
8/25/1987	\$	80,000	\$	177,767
10/21/1988	\$	90,000	\$	165,695
10/9/1989	\$	100,000	\$	226,816
7/16/1990	\$	110,000	\$	248,364
12/31/1991	\$	120,000	\$	304,957
12/18/1992	\$	130,000	\$	342,046
12/28/1993	\$	140,000	\$	365,480
8/30/1994	\$	150,000	\$	407,007
12/12/1995	\$	160,000	\$	559,456
12/27/1996	\$	170,000	\$	706,216
12/5/1997	\$	180,000	\$	943,328
12/29/1998	\$	190,000	\$	1,219,446
12/31/1999	\$	200,000	\$	1,470,951
9/1/2000	\$	210,000	\$	1,544,466
1/30/2001	\$	220,000	\$	1,411,898
3/19/2002	\$	230,000	\$	1,231,395
12/31/2003	\$	240,000	\$	1,215,827
12/30/2004	\$	250,000	\$	1,356,534



#5 The Advantages of Diversification and Equities

**Jane “Mishap”
McGuinness**

**Worst days to invest
(market highs)**

**Accumulation Value
12/31/04 \$1,356,796**

**Average Annual
Return of 11.94%**





#5 The Advantages of Diversification and Equities

Ellen “Lucky” Little

3/27/1980	\$ 10,000	\$ 10,000
9/25/1981	\$ 20,000	\$ 22,349
8/12/1982	\$ 30,000	\$ 31,352
1/3/1983	\$ 40,000	\$ 53,229
7/24/1984	\$ 50,000	\$ 70,918
1/4/1985	\$ 60,000	\$ 90,127
1/22/1986	\$ 70,000	\$ 126,967
10/19/1987	\$ 80,000	\$ 158,151
1/20/1988	\$ 90,000	\$ 182,208
1/3/1989	\$ 100,000	\$ 223,609
10/11/1990	\$ 110,000	\$ 264,244
1/9/1991	\$ 120,000	\$ 291,101
4/8/1992	\$ 130,000	\$ 393,565
1/8/1993	\$ 140,000	\$ 447,601
4/4/1994	\$ 150,000	\$ 483,683
1/3/1995	\$ 160,000	\$ 526,688
1/10/1996	\$ 170,000	\$ 714,140
1/2/1997	\$ 180,000	\$ 907,835
1/9/1998	\$ 190,000	\$ 1,173,156
1/14/1999	\$ 200,000	\$ 1,565,633
12/20/2000	\$ 210,000	\$ 1,682,022
9/21/2001	\$ 220,000	\$ 1,307,010
10/9/2002	\$ 230,000	\$ 1,078,256
3/11/2003	\$ 240,000	\$ 1,129,877
8/12/2004	\$ 250,000	\$ 1,545,522

**Best days to invest
(market lows)**

**Accumulation Value
12/31/04 \$1,773,063**

**Average Annual
Return of 13.28%**



1/2/1980	\$	10,000	\$	10,000
1/2/1981	\$	20,000	\$	23,549
1/4/1982	\$	30,000	\$	32,279
1/3/1983	\$	40,000	\$	48,509
1/3/1984	\$	50,000	\$	70,065
1/2/1985	\$	60,000	\$	83,898
1/2/1986	\$	70,000	\$	120,808
1/2/1987	\$	80,000	\$	156,993
1/4/1988	\$	90,000	\$	177,969
1/3/1989	\$	100,000	\$	208,119
1/2/1990	\$	110,000	\$	290,630
1/2/1991	\$	120,000	\$	283,013
1/2/1992	\$	130,000	\$	383,646
1/4/1993	\$	140,000	\$	422,337
1/3/1994	\$	150,000	\$	474,146
1/3/1995	\$	160,000	\$	490,858
1/2/1996	\$	170,000	\$	690,274
1/2/1997	\$	180,000	\$	847,168
1/2/1998	\$	190,000	\$	1,150,461
1/4/1999	\$	200,000	\$	1,480,373
1/3/2000	\$	210,000	\$	1,786,030
1/2/2001	\$	220,000	\$	1,603,473
1/2/2002	\$	230,000	\$	1,472,238
1/2/2003	\$	240,000	\$	1,187,926
1/2/2004	\$	250,000	\$	1,483,340



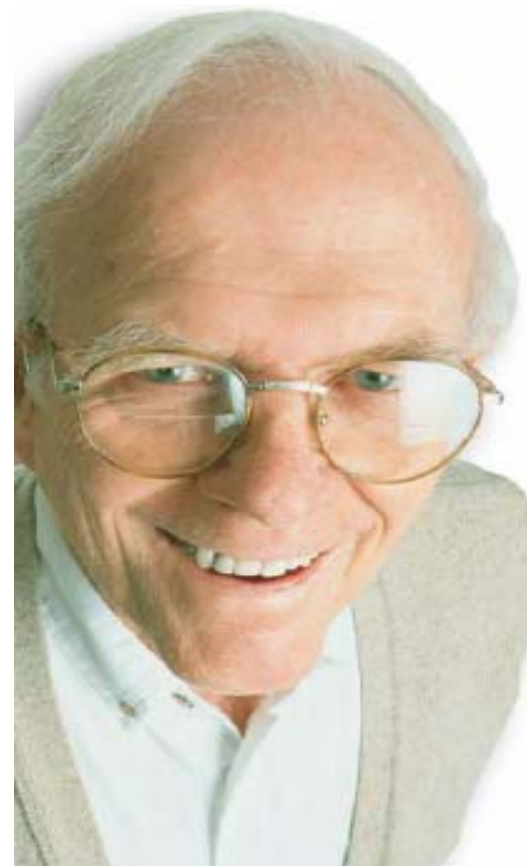
#5 The Advantages of Diversification and Equities

**Ron “Steady”
Smith**

Systematic Investing

**Accumulation Value
12/31/04 \$1,648,138**

**Average Annual
Return of 12.60%**





#5 The Advantages of Diversification and Equities

“Mishap” McGuinness

“Steady” Smith

“Lucky” Little



\$1,356,796

11.94%

\$1,648,138

12.60%

\$1,773,063

13.28%



#6 Review, Update, and Monitor

Financial Advisors can provide you

- Experience
- Knowledge
- Resources
- Time
- Investment Planning
- Investment Discipline
- Understand the Effects of Taxes





Successful Financial Planning

- 🔑 Know your goals
- 🔑 Understand Inflation
- 🔑 Be Time – Wise
- 🔑 Understand Taxes
- 🔑 Diversify your Investments
- 🔑 Review, Update, and Monitor