

The Part-Time Prescription™

Can You Go Part-Time Before Retirement?



SUMMARY

Having worked with physicians for years, we've repeatedly heard the laments, "I'm always so busy with work," or "I wish I didn't have to be on call, especially on weekends." We work with doctors who are very successful, who earn significant income, and yet they are not satisfied due to the stress of their profession. The physical and emotional challenges of the job have worn on them over the years and they want a break. They often contemplate early retirement or a reduction in workload.

TGS Financial Advisors has developed The Part-Time Prescription™ analysis to help doctors and their families understand the impact of working part-time or reducing their work hours before retirement.

MEET THE NELSONS

Dr. Chris Nelson and his wife Joan came to TGS Financial Advisors because they needed help understanding if they were on track toward their retirement goal. They wanted to know if we could quantify the impact of reduced income on that retirement goal. Chris is 56 and Joan is 55. They have two children, John age 28 and Allison age 24.

The Nelsons want to retire in nine years, when Chris is 65. He is beginning to feel burned out and

would ideally like to reduce his work hours to part-time in six years. Both Chris and Joan wish that they had more time to travel and visit their children.

After meeting with the Nelsons and gathering information about their financial situation we begin to evaluate their situation using The Part-Time Prescription.

THE NELSON'S PART-TIME PRESCRIPTION PARAMETERS

- Annual Income (pre-retirement): \$396,000¹
- Monthly Income (pre-retirement): \$33,000
- Annual Income (part-time): \$180,000¹
- Monthly Income (part-time): \$15,000 a month
- Living expenses (pre-retirement, after taxes): \$145,000 to 170,000^{1,2}
- Living expenses (part-time and retired, after taxes): \$220,000
- Savings to 401k (through part-time): \$22,000¹ (salary deferral) and 27,000¹ (employer contribution)

¹ Indexed for inflation at 3.5%.

² Assumed spending of all surplus income after tax and saving.

- Savings to taxable account (only until part-time): \$50,000

THE NELSON'S PART-TIME PRESCRIPTION SUMMARY

The following graph and tables summarize the probability of the success of each of your goals, for your current plan (retirement at age 65) and your proposed plan (part-time from 62-65). In performing the Monte Carlo Analysis on your plans, we have projected 150 iterations of your plan.

The success of each goal is dependent upon whether there are sufficient assets designated to fund the particular objective. Your overall plan may be highly successful due to the fact that you have significant investments but your goal may have a low success rate if there are insufficient assets associated with the goal. If the success rate of any of the goals is less than satisfactory (less than a 70% probability of success) you may want to consider designating additional assets to the appropriate goal.

In addition to the success of each goal, the tables below also illustrate the 90th, 50th and 10th percentile value of the assets associated with each goal. The 90th percentile illustrates the projection where 90% of the results are below this value. The 50th percentile is the median projection where half the projections fall

GRAPH 1: The Nelson's Part-Time Prescription

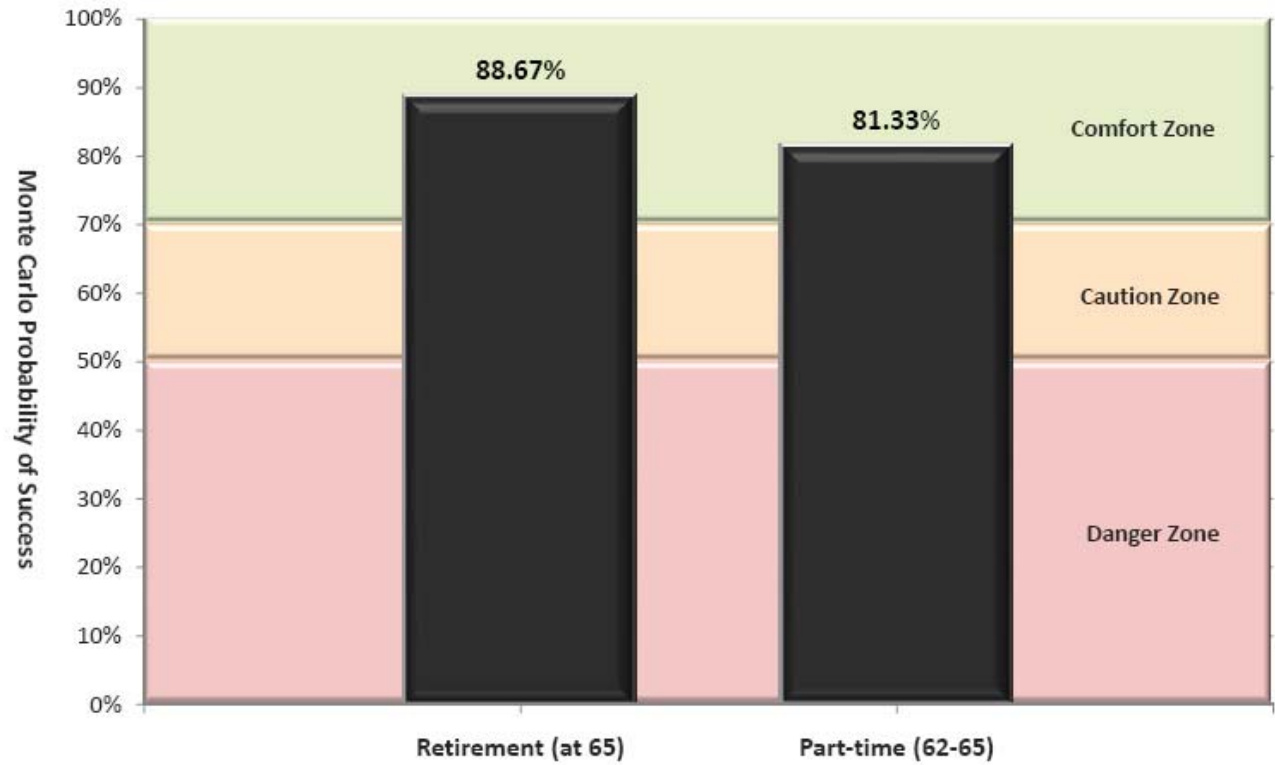


TABLE 1: Full Retirement at 65

Goal	Success Rate	10th Percentile	50th Percentile	90th Percentile
Retirement Goal	88.67%	-\$651,268	\$4,380,820	\$9,451,359

TABLE 2: Part-Time (62-65)

Goal	Success Rate	10th Percentile	50th Percentile	90th Percentile
Retirement Goal	81.33%	-\$2,600,800	\$3,542,604	\$8,087,436

above and half fall below this value. The 10th percentile illustrates the projection where 10% of the results are below this value.

MONTE CARLO ANALYSIS OVERVIEW

Monte Carlo Analysis expands the traditional financial planning analysis by adding uncertainty into the plan. This analysis takes into consideration that it is difficult to accurately predict annual return rate expectations. Monte Carlo analyzes your financial plan by randomizing the return rates with the normal assumed range each year. Monte Carlo performs this analysis multiple times to simulate a number of possible financial outcomes.

For example, the actual return in an account with an average rate of return of 8% may vary to some degree over time. Monte Carlo Analysis allows us to randomly project an account's returns forward assuming that in some years the account will produce a return lower than the average, and in other years the account will produce a return higher than the average. Allowing for this variability in returns does have an impact on the overall plan and the probability for success.

Another element that may be taken into consideration is the uncertainty of your life expectancy. What if you die tomorrow or live to be 110? Monte Carlo can also add this parameter to the analysis by simulating a different possible life expectancy for each projection.

Those outcomes that are able to satisfy all your financial objectives are considered successes and those that do not are considered failures. Overall, a probability of success is determined.

Analyzing the Results

A success is defined as a projection that is able to meet the desired needs in every year of the plan. The overall Success Rate is the probability that you will successfully meet your financial objective (in this particular example, part-time from 62-65) over your lifetime.

The significance of this in each graph is that the element of uncertainty will cause the results of each projection to vary. From a financial planning perspective, it is important for your plan to withstand the assumed changes in the value of your investments and be able to meet your income needs throughout your lifetime. The greater the risk in your investments, the greater

the cushion of assets you will need to withstand the ups and the downs. When selecting an investment portfolio you should try to select a portfolio with a level of risk that is projected to allow you to meet all your financial objectives and avoids any unnecessary risk.

TGS FINANCIAL'S RECOMMENDATION

With a probability of success greater than 70% for each goal (in this particular case, retirement at 65 and part-time from 62-65) we can be more confident that you will be able to successfully meet your goals.

At any time, if there is a significant change in your income or expenses please contact us as this may cause us to change our recommendations.

Other options that we suggest to help remedy stress and burnout include:

- Weekend buyback
- Selling on-call time
- Charitable work (malpractice insurance covered by employer)
- Locum Tenens

Results may vary with each use and over time. The results presented in this financial plan are not predictions of actual results. Actual results may vary to a material degree due to external factors beyond the scope and control of this financial plan. Historical data is used to produce future assumptions used in the financial plan, such as rates of return. Utilizing historical data has limitations as past performance is not a guarantee or predictor of future performance. The assumptions used in this financial plan are based on information provided and reviewed by you. Those assumptions must be reconsidered on a frequent basis to ensure the results are adjusted accordingly. The smallest of changes in assumptions can have a dramatic impact on the outcome of this financial plan. Any inaccurate representation by you of any facts or assumptions used in this financial plan invalidates the results.

Please remember to contact TGS Financial Advisors, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you want to impose, add, to modify any reasonable restrictions to our investment advisory services, or if you wish to direct that TGS Financial Advisors to effect any specific transactions for your account. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request.