The Green Agency

*Providing Financial Services Since 1980*

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Michael D. Green, Principle, A Registered Investment Advisor

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*Letter from the Michael Green*

*Welcome to The Green Agency firm. Thank you for visiting our website.  We appreciate your interest in our advisory firm..*

*During its 25 year history, The Green Agency, advisory have worked hard to provide consistent solutions to the investment needs of our clients.  Today, we remain as committed as ever to innovation as a critical factor in the success of our clients and their portfolios.  It is in that spirit that we offer you interactive access to the products and people of The Green Agency from our home here on the web.*

*For the past several months, regulators have raised serious allegations about mutual fund industry practices.  Like others in the industry, we hope the result of these inquires will be to clarify unclear rules, and reform what is wrong, so that investor confidence remains strong.*

*Even as this process goes forward, however, there are fundamental principles that have been central, and will always be central, to our way of doing business:*

*We support strong investor protections and effective enforcement by regulators.*

*We believe in full and fair disclosure to investors, and we are always working to improve investor understanding of what we do.*

*We continually monitor and improve our code of ethics and make sure our employees understand and abide by it fully.*

*We do not tolerate illegal or unethical behavior among our employees.*

*We encourage the firms culture that puts investors first.  Always!*

*If you have any questions about our specific procedures, I urge you to ask, we'll be glad to answer.*

*Thanks again for taking the time to visit The Green Agency via the web.  Please pass along any comments for suggestions to improve our site.  We welcome your thoughts via our Contact Form.  We hope you enjoyed learning more about The Green Agency.*

*Sincerely,*

*Michael D. Green, Principle*
*DBA, The Green Agency*

*A Registered Investment Advisor*

*Michael D. Green, Principle*
*A Registered Investment Advisory*
*DBA, The Green Agency,*

*Code of Business Conduct*

*It's My Responsibility Compliance With Laws And Regulations Laws and regulations are ever present in the financial services industry, affecting virtually every area of The Green Agency, Green Advisory.*

*It’s My Responsibility to know and comply with all Company policies and procedures and laws and regulations applicable to my job responsibilitcie.*

*Conflicts Of Interest*

*It’s My Responsibility to ensure that my personal interests do lot conflict or appear to conflict with my business responsibilitcie. In any business transaction, I will place the Company’s interest ahead of any personal interest or personal gain (to me, my spouse, a family member, or any member of my household) and disclose all facts in any situation where a conflict of interest may arise.*

*Confidentiality/Privacy*

*While conducting business, I may possess confidential information about the Company, employees, and cliente. It’s My Responsibility to protect and maintain the confidentiality of this information and the privacy of our employees and cliente, and lot disclose thi s information to unauthorized partcie.*

*Protection And Proper Use Of Company Assets*

*It’s My Responsibility to safeguard Company assets, including appropriate use of Company property and equipment.*

*Professional Conduct*

*It’s My Responsibility to provide and maintain a work environment that respects the rights of all employees, that is free of harassment and hostile or offensive behavior, and that is safe and healthy.*

*Company Records*

*It’s My Responsibility to prepare Company records completely, accurately and truthfully, and to retain Company records according to Company policies and procedures and applicable laws and regulations. The Company’s financial reports and accounting records are relied upon by management, the Board of Directors, policyowners, cliente, creditors, government agencies, and othere.*

*It’s My Responsibility to uphold the Company’s policy to ensure that the financial records accurately and fairly reflect transactions and evente, and conform to required accounting principles.*

*Honesty*

*It’s My Responsibility to act with honesty and integrity in my business activitcie, and lot to commit any type of fraud, such as embezzlement, theft, and making false, incomplete, or misleading statemente.*

*Insider Trading*

*It’s My Responsibility to lot pers onally trade in any securitcie based on knowledge that comes from my job, if that information is lot available to the public.*

*Compliance With The Code*

*It’s My Responsibility to make sure my words and actions live up to the Code. It’s My Responsibility to ask questions when in doubt about the implications of any given situation or proposed course of action.*

*It’s My Responsibility to report any concerns about business practices that may violate the Code of Business Conduct.*

*Michael D. Green,*
*dba The Green Agency,*

# *Business Insurance: An Introduction*

*People commonly think of life insurance as a personal resource used to protect their families from the financial impact of the loss of a loved one. However, there are many ways that life insurance can benefit business owners and their employees.*

*Businesses may use life insurance to provide benefits to their employees, to protect themselves from the loss of a key person, or to plan for the continuation of the business should one of its owners pass away. This guide will review the benefits and types of arrangements that are commonly used in the business world.*

## *Qualified Plans v. Non-Qualified Plans*

*There are two types of retirement plans that can be used in the business insurance marketplace – qualified and non-qualified plans.*

*The IRS identifies both of these plans as deferred compensation plans and each has advantages and disadvantages depending on the needs of the business.*

*Non-qualified plans can be used as a supplement to a qualified plan such as a 401(k) plan to provide key, highly compensated employees with a source of additional retirement income.*

## *Advantages of Non-Qualified Deferred Compensation*

*Retain, Reward, and Recruit Employers often need to offer extra incentives to employees.*

*One of the primary reasons that companies establish non-qualified benefit plans is to retain, reward, and recruit key employees. These plans can have minimal cost to the employer and can help key employees supplement their qualified plan savings.*

*Non-qualified plans are generally not subject to the same tax and labor law requirements as qualified plans and can be offered to select employees.*

*Economic Growth and Tax Relief Reconciliation Act (EGTRRA)*

*Over the past 20 years major tax legislation put caps on the amount of compensation that may be used to determine retirement benefits for highly compensated individuals. The EGTRRA legislation which became law on June 7, 2001, changed this.*

*Over the next nine years, the limits will increase and be adjusted in increments of $1,000 – $5,000 when applicable.*

*However, these limits will revert back to 2001 limits in 2010 if the bill is not extended. The table on the next page reviews the limits for 2005.*

*Must include all Can be selective eligible participants in plan design. Must meet ERISA No onerous reporting requirements. Employer gets No tax deduction, tax deduction until benefits contributions are paid and Contributions Assets subject to protected from claims of corporate creditors .*

### *Reverse Discrimination*

*Even though the 2001 tax law increased qualified plan contribution limits, key employees may still encounter “reverse discrimination” when they are saving for retirement.*

*Defined Benefit Plans usually provide employees with at least 60% of their final three-year average salary and incentive income in retirement.*

*However, highly compensated employees whose average income exceeds the qualified plan limits will eventually receive less than 60%. These caps limit the amount of contributions to 401(k), 403(b), and 457 plans to $14,000 in 2005; and limit the maximum compensation level to calculate distributions from a defined benefit plan to $170,000 and a defined contribution plan to $210,000 in 2005.1*

*Therefore, someone with an average income that exceeds the $170,000 defined benefit cap loses income because their retirement benefits are calculated based upon $170,000 instead of their actual income.*

*For example, someone whose income is $250,000 is* *only going to have 41% of his or her final salary in retirement. Let's look at an example:*

***EXAMPLE** Janet Buckfield, General Manager of Mountain View Industries, receives annual compensation of $250,000.*

*Her employer provides its employees 60% of the average of their final three years compensation in retirement. But, because of qualified plan limitations she will receive $102,000 (60% of $170,000) a year in benefits. This is only 41% of her final compensation compared to the 60% that most employees receive.*

***Employee Benefit Limits 2005***

| | |
|---|---|
| *"Top Paid Group" Highly Compensated Employee Definition (Section 414(q) (1) (b))* | *$95,000* |
| *Defined Contribution Limits (Section 415)* | *$42,000 or 100% compensation* |
| *Maximum 401(k) Contribution Amount* | *$14,000* |
| *Maximum Contribution to Qualified Plans for Tax-Exempt Organization (Section 457 (b))* | *$14,000* |
| *Defined Benefit Amount Limit (Section 415 (b))* | *$170,000* |
| *Limit on Compensation for Qualified Plans* | *$210,000* |

*Source: Leimbergservices.*

*Social Security*

*Highly compensated employees are also faced with "reverse discrimination" when it comes to Social Security payments. Even though Social Security was not intended as a way for workers to maintain their pre-retirement standard of living, it does account for part of the benefits package. In the case of highly compensated individuals, this usually amounts to less than 15% of the entire package. Another factor to consider is that the age that executives will be eligible for full benefits from Social Security has increased from age 65 to age 67.*

| *Year of Birth* | *Full Retirement Age* |
|---|---|
| *1937 and earlier* | *65* |
| *1938* | *65 and 2 months* |
| *1939* | *65 and 4 months* |
| *1940* | *65 and 6 months* |
| *1941* | *65 and 8 months* |
| *1942* | *65 and 10 months* |
| *1943-1954* | *66* |
| *1955* | *66 and 2 months* |
| *1956* | *66 and 4 months* |
| *1957* | *66 and 6 months* |
| *1958* | *66 and 8 months* |
| *1959* | *66 and 10 months* |
| *1960 and later* | *67* |

*The earliest a person can start receiving "reduced" Social Security retirement benefits will remain age 62.*
*SOURCE: www.ssa.gov/retire2/agereduction.htm*

## *Social Security Benefits For 2005*

| | |
|---|---|
| *Maximum Earnings* | *$90,000* |
| *Maximum Benefit in 2005 for individual retiring at full retirement age* | *$23,268/year or $1,939/month* |

*SOURCE: www.ssa.gov*

## *Non-Integrated Plans*

*Employers may set up non-integrated plans. These are plans which are not coordinated with Social Security benefits. Thus, an employee may receive full benefits up to the limit in addition to Social Security benefits. In an integrated plan, Social Security may be used to offset retirement benefits by including it in the total benefits calculation. Let's look at an example:*

***EXAMPLE***

*George McDonald, a product manager, age 65, is retiring from Mountain View Industries. He has been with the company for over 25 years. His final three-year average annual salary and incentive compensation was $300,000. He is eligible for maximum Social Security benefits. Mountain View Industries pays its employees 60% of their final compensation, not integrated with Social Security. George anticipates receiving $180,000 (60% of $300,000) a year plus his Social Security benefits of $23,268 for a total of $203,268. But, because the maximum compensation amount for computing the annual benefit is $170,000, George will receive only $125,268 annually (60% of $170,000 is $102,000 plus Social Security benefits of $23,268). Due to qualified plan restrictions, George will have a shortfall of **$78,000**, even with Social Security.*

# *Fundamentals of Non-Qualified Deferred Compensation*

## *Key Employee Benefit Planning*

*Key Employee benefit plans are arrangements between an employer and an employee which provide the employee with a form of additional retirement income or other benefits in addition to standard qualified plans, such as 401(k) plans. These plans may not be subject to the same tax and labor law (ERISA) requirements as qualified plans.*

*These non-qualified plans are selective and <u>do not have to be offered to all employees.</u>*

*Ordinarily, these plans are used as an incentive to retain, reward, and recruit key and highly compensated employees. These employees often encounter employee benefit limitations and restrictions.*

### *Power of Tax Deferral*

*To understand the power of tax deferral, let's look at the following. This example assumes a key employee is age 45 and defers $10,000 every year until retirement into the Deferred Compensation Plan.*

*In 20 years, his or her Deferred Compensation account will grow to almost $440,000 with a 7% growth rate.*

*If he or she does not participate in the Deferred Compensation and takes the $10,000, the after-tax, (assuming a 40% tax bracket) will be $6,000. This amount deposited every year for 20 years will grow to about $190,000 with a 7% growth rate (4.2% after tax). The power of tax deferral in this example is almost $250,000!*

### *Minimal "Red Tape"*

*Non-qualified deferred compensation plans do not require formal IRS approval and are not subject to qualified plan contribution limitations. However, these plans may be subject to certain ERISA reporting requirements. Non-qualified plans that are not entirely exempt may qualify for limited reporting as "Top Hat" plans. A plan may qualify as a "Top Hat" plan if it is created for the purpose of providing benefits to a select group of management or highly compensated employees. Top Hat plans must be in writing and a description of the plan must be filed with the Department of Labor within 120 days of adoption.*

# *Funding Options for Non-Qualified Deferred Compensation Plans*

*There are many ways to fund a non-qualified retirement plan. Employers may use a sinking fund, self-fund, annuities or use a life insurance policy. Let's review each option.*

***Sinking Fund:*** *The employer sets up a reserve or sinking fund where funds are invested. Benefits are paid from the sinking fund when the employee retires. The employer assumes the market risk and often invests in high-risk assets to meet its future obligations. The employer must pay income taxes on the fund earnings each year and does not have any deductions until the benefits are paid out.*

***Self-Fund:*** *In a self-funded plan, the employer pays the retirement benefits from the current cash flow. A self-funded plan does not have an immediate impact on the company's cash flow when established. But there is risk that cash flow will not be available in the future.*

***Annuities:*** *Under the tax code corporate employers cannot achieve income tax deferral with deferred annuities.*

***Life Insurance Funding:*** *Funding a deferred compensation plan with life insurance is very popular. In a recent survey conducted by Clark Consulting, it was found that 65% of the employers used life insurance as the funding option for deferred compensation plans.*

*Life insurance is a popular funding tool because it is cost effective, has tax-deferred accumulations to fund benefits, and the employer can recover all costs with the death benefit proceeds.*

# *Types of Non-Qualified Executive Benefit Plans*

*In general Non-Qualified key employee benefits plans are structured as either defined contribu-tion or defined benefit plans.*

*Defined contribution plans can be financed with either employee or employer money. Under a defined contribution plan, the employee benefit is based upon the value of his or her account at a certain point in time like retirement.*

*Defined benefit plans on the other hand are plans in which the employer agrees to pay a specified benefit. The specified benefit often is paid when a trigger event occurs such as retirement, death, or termination.*

*Examples of each plan type are listed below:*
***DEFINED CONTRIBUTION PLANS***

- *Deferred Compensation Plan*
- *Custom Salary Deferral Plans*
- *Section 162 Executive Bonus Plans*
- *Restrictive Endorsement Bonus Arrangements (REBA)*
- *Supplemental Executive Retirement Plans (SERP)*
- *Excess Benefit Plans*
- *Death Benefit Only Plans*

*Salary Deferral Plans*

*Salary deferral plans such as Deferred compensation are pure contributory plans. In a salary deferral arrangement, the employee elects to defer part of his or her salary, bonus, or commission until a later date, most likely in retirement.*

*These plans are flexible and unlike qualified plans, they do not have maximum deferral limits and do not have to be offered to everyone.*

*Supplemental Executive Retirement Plan (SERP)*

*An employer uses a SERP to provide additional retirement income to a key employee. It is an excellent way for an employer to compensate key employees who are faced with reverse discrimination. The employer has the flexibility to select the employees it wants to participate in the plan, thus increasing retention by rewarding highly compensated employees with a total compensation package.*

***How does it work?***

*In a SERP arrangement, the employer and employee enter into an agreement. The agreement states that the employer will pay the employee a certain amount of money either over a period of time or in a lump sum upon death, retirement, or termination of the plan. The income received by the employee is taxable at the ordinary income tax rate and the employer will receive an income tax deduction. Salary deferral plans are beneficial to both the employer and employee.*

***Advantages of Salary Deferral Plans***

*An excellent way to provide highly compensated individuals with supplemental retirement income. An attractive way to reward select key employees with tax deferred retirement benefits. A great way to provide retirement benefits beyond those provided by qualified plans.  An employer can individually select participants Can co-exist with qualified plans. Improves a key employee's total compensation package. The set-up and administration cost is minimal.*

*A Deferred Compensation Plan overcomes qualified plan limitations. Salary deferral account balances grow tax-deferred.  Provides an additional source of retirement income Contributions are potentially unlimited. Executive Bonus Plans*

*Executive Bonus Plans, often referred to as Section 162 Bonus Arrangements, are another simple and cost effective way for the employer to provide an employee with supplemental retirement income. In this situation the employer provides a bonus to the employee in the form of a premium payment on a life insurance policy.*

***How Does it Work?***

*The employer determines which employees to include in the plan. The employees will apply for life insurance. The employer will provide the employees with a bonus in the form of the premium payments on the life insurance policy. The employee is responsible for paying the income tax due on the bonus.*

*However, the employer may elect to bonus the employee the premium and the income tax amount. This is known as a double bonus arrangement.*

*At retirement, the employee will be able to use the policy cash value for supplemental retirement income. Moreover, the employee has been provided with permanent life insurance protection for the benefit of his or her family.*

*Employer Employee; Simple to install. Death benefit protection. No minimum or Supplemental maximum, employees retirement income, Employer cost may be tax deductible Can access policy cash value at any time.*

*Restrictive Endorsement Bonus Arrangement (REBA)*

*A REBA is an Executive Bonus Plan with a restriction on the executive's ability to access the policy cash value for a stated period of time. The REBA agreement typically states that as long as the employee works for the employer, the employer will continue to pay the bonus. These arrangements may also have a vesting schedule.*

*The most popular ones are one-year rolling, five-year rolling, and vesting at retirement.*

*The employee owns the life insurance policy, but he or she must file a restrictive endorsement with the life insurance company that issues the policy.*

*This arrangement restricts the executive from (1) surrendering the policy cash value (2) taking loans and withdrawals from the policy (3) changing ownership and (4) using the policy as collateral until the arrangement terminates. The employee retains the right to name a beneficiary.*

*Other Business Applications*

*In addition to non-qualified plans, there are several other uses for life insurance in the business-planning marketplace. These plans, such as key person insurance, and buy-sell arrangements, most often benefit the employer rather than the employee.*

*Key Person Insurance*

*A key person life insurance policy is a policy taken out by an employer on the life of a key employee. This employee can be anyone in the business who is essential to the success and survival of the company. This could be an owner, partner, or an employee whose level of knowledge is invaluable.*

*Employer Employee*

*Minimal set-up cost, Portable death, benefit protection, Selective participation, Source of allowed supplemental retirement income, Encourages employee, Not subject to qualified plan limits and penalty provisions.*

***Advantages of a REBA***
***How does it work?***

*In a key person arrangement, the key employee does not have any interest in the life insurance policy. The employer is the owner and beneficiary of the life insurance policy.*

*The purpose of a key person arrangement is to provide the employer with an emergency cash source in case of a sudden and unexpected accident or departure of someone who is vital to the day-to-day operations and long term growth of the business.*

*Buy-Sell Arrangements*

*Buy-Sell arrangements are plans put into place to help ensure the continuation of a business if one or more owners leaves. A well-drafted and properly funded arrangement can protect the interest of the business owners and can facilitate the continuation of the business for years to come.*

### *Type of Arrangements*

*There are three main types of buy-sell arrangements:*
*(1) Entity Purchase*
*(2) Cross-Purchase*
*(3) Wait and See*

*Approach. The best type of arrangement is determined based upon the type of business structure and the number of owners. An entity purchase arrangement allows the business to buy out the deceased owners, while a cross-purchase allows the owners to buy each other out. The wait and see approach is a combination of entity and cross-purchase arrangements.*

*Employer; Simple to implement, May purchase policies on the lives of several key employees Has access to potential cash values for emergencies, retirement benefits, and cash flow needs.*

***Advantages of Key Person Insurance***

*Ensures the business will stay afloat and guarantees the decedent's shares go to the surviving owner and not an outside party. Life insurance provides the cash to buy the agreed upon shares Several different options allow the businesses to select the right one for them.*

## *Life Insurance in Business Planning*

*Life insurance has many uses in business planning. It makes providing benefits for key employees simple and hassle-free.*

*Life insurance can provide a business with the necessary funds to recruit and/or train a suitable replacement upon the death of a key employee.*

*It can be used by business owners to ensure the continuation of the business upon the death of a key employee or owner. Life insurance can also be used as a way to informally fund non-qualified deferred compensation plans to reward and retain key, highly compensated employees.*

## *Retirement plans for tax−exempt organizations*

*As the name indicates, a tax−exempt organization is not subject to federal income tax. Because of this special treatment, such an organization has unique considerations for setting up a retirement plan. (For example, an employer tax deduction is generally of little or no value.) There are two types of plans that may meet the needs of tax−exempt organizations: 403(b) plans and 457(b) plans.*

*In addition, tax−exempt organizations may adopt a qualified retirement plan (e.g., a profit−sharing plan or a money purchase plan). For more information, including links to detailed discussions of each type of plan, see our website Retirement Plans for Tax−Exempt Organizations.*

## *Nonqualified deferred compensation plans*

*You might also consider setting up a non-qualified deferred compensation plan. Compared to qualified plans, these plans are relatively flexible in that they need not satisfy stringent requirements. You and your employees may also receive more benefits under a nonqualified plan, since there are no limits on employer contributions.*
*However, the main disadvantages of non-qualified plans are (a) they are typically not as beneficial from a tax standpoint, (b) they are generally available only to a select group of employees, and (c) the assets are not protected in the event of the employer's bankruptcy.*

*So, unlike the secular trust can protect employees from both an employer's future unwillingness to pay promised benefits and an employer's future inability to pay promised benefits due to bankruptcy or other financial difficulties.*

*However, the security offered by the secular trust comes at a price to the executive, because he is generally subject to current taxation.*

*To offset the executive's current tax liability, the employer will sometimes pay a bonus to the executive. Current taxation of the executive is attractive to the employer because it provides the employer with a current tax deduction. Of course, as with any deferred compensation arrangement, all deferrals and bonuses must be voluntary. There are two principal types of secular trusts: the employer-funded trust and the employee-funded trust. Because of its negative tax treatment, the employer-funded trust is losing popularity.*

*1 Sections 401(k), 403(b), and 457 plans will increase in increments of $1,000 until 2006.*
*Inflation adjustments will be made in increments of $500 for post 2006 inflation.*
*Section 401(k) and 403(b) plans have a catch-up provision for individuals over age 50.*
*Please consult your financial advisor for more information.*
*2 Executive Benefits: A Survey of Current Trends, 2001 Results; Fortune 1000 corporations with 207 responding.*
*3 In some instances the employer's death benefit proceeds received by a "C" Corporation may be subject to the Alternative Minimum Tax (AMT).*
*4 Withdrawals and loans taken from life insurance policies classified as modified endowment contracts may be subject to income tax, and may also be subject to federal tax penalty if the withdrawal or loan is taken prior to age 591/2. Loans and withdrawals may reduce the death benefit, will reduce the policy cash value, and may cause the policy to lapse. Lapse of a life insurance policy can cause the loss of death benefit and adverse income tax consequences. Depending on the performance of the underlying investment options (in variable policies) there may be more or less than the original amount invested.*
*5 The cash value of a life insurance contract grows on an income tax-deferred basis. Unlike most other investments, the employer will not pay income taxes on the "fund" that is informally held by the employer to satisfy SERP benefits. This aspect of insurance makes it an excellent alternative to stocks and mutual funds.*
*Wouldn't it be nice if you could accumulate money for your retirement or savings but not have to pay income tax on that money until you are ready to spent it?*

*However,* ***SECULAR TRUST***

*The "secular" trust (as distinguished from a "rabbi" trust) is used to formally fund and secure nonqualified deferred compensation. Funds placed in a secular trust are not subject to the claims of the employer's creditors.*

*And while building your savings or retirement, what if you could;*

- *Combine safety, growth potential, and control?*
- *See your money grow with an immediate 10% increase on every deposit?*
- *Take withdrawals from your annuity, up to 10% annually, if*

*you need the money?*

- *Obtain protection from volatility by taking advantage of a market index with no downside market risk?*
- *Receive an income payment while the rest of your money continues to experience potential growth?*

*You can, with the MasterDex 10 Annuity from Allianz Life.*

*This innovative annuity offers a 10% bonus on all contributions (deposits) during the first five years. After the first year, you may also withdraw up to 10% of your initial deposit(s) annually, up to 50% total, without any fees or charges.*

*Plus, you have the option to share in potential gains from a well-known market indexes, with a monthly point-to-point crediting method that gives you protection with potential growth. This crediting method tracks your potential index growth, up to an established monthly cap, in each of the 12 months of the year. At the end of that year, the monthly changes are added together to give you the annuity's annual growth amount. And Master Dex 10 automatically locks in your potential gain every year, giving you upside potential but no downside market risk of all your deposits.*

*However, the most exceptional feature of the MasterDex 10 is the systematic withdrawal benefit. Available after the 5th year, this feature allows you to receive a percentage of your account values as income, while the remaining balance continues to participate in the index(es).*

*We offer a strict **investment discipline**, **unbiased research**, we are knowledgeable of the pitfalls and the benefits throughout the planning phase. I exercise a **cost-effective approach** versus the benefits and provide real **measurable results** and we can do this with minimal or without any risk.*

***New Managed Accounts** To Invest Primarily In Dividend-Paying Stocks. Our Private Account Management. To help clients take advantage of new tax legislation. The office introduces two new investment accounts that could help individuals more easily invest in dividend-paying stocks:*

*The Dividend Equity Account -*

*A Private Managed Account (PAM) that invests primarily in dividend-paying stocks that have been rated an "A" or "8" by our research and major Equity Ratings; and The Dividend Equity Personal Account - managed accounts that invest primarily in dividend paying stocks that have been rated an "A" or "8" by our research and equity ratings.*

*because lower tax rate on dividends will make stock ownership more significant than merely hoping the share price of a stock climbs higher.*

*Our Private Managed Account It is designed to offer clients current income and capital appreciation by investing in dividend-paying stocks that have the highest quality and ratings. We have Ratings, an objective system for rating more than 3,000 U.S. stocks.*

*Our firm will create a portfolio of approximately 100 equally weighted stocks that seeks to provide a dividend yield greater than the S&P 500 Index while maintaining lower volatility than that of the index, typically buying high quality, rated stocks. An initial investment of $10,000 with subsequent investment minimums of $100.*

*Our pricing , the best. which offer no commission, no 12b1, no deferred commission, no markups (bonds) by our advisory firm. A lower operating expense ratio in return for a higher investment minimum, when you have an initial investment of $25,000, with subsequent investment minimums of $500.*

*Our expense ratios of 1.00 percent for the Investor and reduced discounts when the portfolio is primarily invested in high quality rated bonds.*

*The Private Account Managed accounts also invest in dividend-paying stocks that have been rated by major Equity Ratings of the highest quality.*

*Client portfolios will typically hold up to 40 dividend-paying stocks chosen primarily from securities rated as "A" or "B", and constructed to provide clients archetypal tax benefits of managed accounts, such as the ability to harvest gains and losses in their portfolio.*

*Our Portfolio management create client portfolios using proprietary models developed by the Modern Portfolio Research of Quantitative Analysis and then customize individual portfolios based on stocks or sectors that a client has restricted.*

*Our firm will rebalance the portfolio on a quarterly basis to help minimize turnover and potential taxable events in the accounts.*

*Our client advisory agreement is available during consultation and advisory services are without commission. Advisory services are tax deductible, always seek tax counsel.*

## *The Jobs and Growth Tax Relief Reconciliation Act of 2003 --*

*Legislation signed into law in May of this year that reduces the maximum tax rate on qualified dividends to 15 percent -- has sparked a renewed interest in stocks that pay qualified dividends. Its important that investors understand what this new legislation can mean for their long- term financial health and outlook*

*The Green Agency For the same reasons the first choice in 401(k) planning and estate planning, The Green Agency should be the first choice for business and personal planning.*

*Since 1980 our firm offers competitive business solutions. Pricing flexibility, quality underwriting, and one of the most sophisticated advanced marketing* *groups in the industry.*

*The Green Agency also has state-of-the-art systems, PACLIFE, Advisory World, and a superlative Client advisor website.*

*The Green Agency and Green Advisory is on top of the changes in the marketplace to provide you with the best services and support available.*

*The Green Agency Provides;*

*Retirement plans most appropriate for corporations If you are involved with a corporation, your business may have multiple employees.*

*One of your goals in choosing a retirement plan may be to balance their needs against the needs of your business. There are many types of plans that may enable you to achieve this goal, including the following:*

- *Institutional Service*
- *Payroll deduction IRA plan*
- *Simplified employee pension (SEP) plan*
- *SIMPLE IRA plan*
- *SIMPLE 401(k) plan*
- *401(k) plan*
- *Profit−sharing plan*
- *Money purchase pension plan*
- *Age−weighted profit−sharing plan*
- *New comparability plan*
- *Thrift/savings plan*
- *Defined benefit plan*
- *Cash balance plan*
- *Employee stock ownership plan (ESOP)*

*Our low cost services are also available on a personal account basis and our website is confidential and free to our personal clients. One of our top rated financial institutions can provide you and plan participants with a **10% match** on every plan contribution for the next five years. You can stop making your match to your plan, we do it for you!*

*Paying commissions versus advisory services.*

*Paying commissions for the purpose of investment is not tax-deductible. Advisory Fees are tax deductible, so, if you trade securities or invest (go-it-alone) or the investment rep works on commission. your losing a deduction. When you work with our advisory, Our professional services is a 100% tax deduction. Low cost, results and deduction.*
*Individual Services*

- *Personal Accounts*
- *IRA Accounts and Transfer*
- *Stocks & Bonds*
- *Tax Exempt Bonds*
- *Preferred Securities*
- *Exchange Traded Funds*
- *Private Account Management*
- *On-Line Account Access*
- *Personal On-Line Bill Pay*
- *Money Market Accounts*
- *Direct Deposit*
- *Income Portfolios*
- *Estate Planning*
- *Trust Account Management*
- *Investment Advisory*
- *Tax-Deferred Accounts*
- *Real Estate Investment Trusts*
- *Commercial Lending*
- *Residential Mortgage*
- *Investment Research*
- *Annuities - Equity Indexed*
- *Insurance Tax Planning*
- *Tax Credits (Real Estate)*
- *No-Load Mutual Funds*
- *Exchange Traded Funds*
- *Retirement Plan - Rollover*
- *Business Planning*
- *Advisory Email Alerts*

*For more information call us today or email MGreen@GreenAdvisory.Com for a free preliminary consultation. All inquiries are strictly confidential.*

*This is not a solicitation to buy or sell a security nor imply any legal or tax advise. Always seek legal and tax guidance. Form ADV Part II is available and disciplinary history can be obtained from the division. Michael D. Green is a Registered Investment advisory and The Investment Advisors Act of 1940 is strictly complied with in the execution of each client transaction.*

*Our code of ethics is of the highest standard and a copy is available at your request. In our firm, the client is the firm and any and all information pertaining to our advisory client services is disclosed through our statement of understanding and during consultation and ongoing advisory services. All information is considered accurate but cannot be guaranteed due to market, tax or other pertinent economic change.*

*Past results is not a guarantee of any future result. Risk/Averse consultation is always a prerequisite to our advisory services in the selection of any securities and in the Management of our client advisory management.*

*This piece is intended to provide an overview of popular business planning concepts and does not discuss all the tax implications of setting up a plan. For more information, please consult your tax advisor. No legal, tax or accounting advice can be given by The Green Agency, Green Advisory and its representatives.*

*The information provided here is merely a summary of our understanding of the current laws and regulations.*

**Who is the company behind Our Online 401(k)? Our strategic alliance provides** a web-based retirement company, leverages the Internet to offer small and growing businesses affordable quality retirement plans.

### Mission

We believe that every working individual should be able to expect to retire in comfort. But today's reality is a harsh one. To date, 72 million Americans working for small businesses still don't have access to a 401(k) plan.

### Products

The Gren Agency, currently offers two retirement plan solutions, Online 401(k) and Solo 401(k), serving the needs of two different markets. Online 401(k) is an all-inclusive, web-based 401(k) plan designed for businesses with fewer than 50 employees. It offers all of the 'must-have' features customers expect from a web-based provider and sets itself apart from other web-based providers with features such as live customer support, flexible plan design and customizable investments with access to thousands of mutual funds and discount brokerage accounts.

**Solo 401(k)** is a cost effective web-based retirement plan that allows one-person businesses to maximize their tax-deferred retirement savings, up to $40,000 a year. For maximum flexibility and ease of use, Single(*k*)™ provides a discount brokerage account, live customer support and IRS compliant documents in a turnkey package.

### Benefits

Our web-based retirement plans deliver savings, convenience and service, while providing small businesses the tools to better retain and reward their human capital.

### Customers

More than 750 small and growing businesses across 43 states have adopted web-based retirement plans. Customers have from 1 to 300 employees and they come from a wide range of industries.

### Pricing

Online 401(k) and Solo 401(k) offer a very unique and simple pricing structure which is an affordable monthly or annual flat fee with no asset-based fees or commissions.

### Team

The Green Agency, brings together a team of experts with years of combined experience in the Retirement and Financial Services industries.

### Institutional Service Group

The Green Agency
Plymouth, Massachusetts
WWW.Grenadvisory.Com
MGreen@Greenadvisory.Com
1-508-224-9646

Institutional Account Custodian
Charles Schwab & Company, Inc., SIPC/NYSE Member
Ameritrade Retirement Services, Inc., SIPC/NASD Member

# The Green Agency

***Providing Institutional Services Since 1980***
***WWW.Greenadvisory.Com 1.508.224.9646***

## *What do you want in a 401(k)?*

Let's face it, if you have a business with less than 50 employees, 401(k) plans available to you, are confusing, expensive and often riddled with unknowns (e.g. insurance products with hidden wrap-fees and commissions); or they just fail to deliver on what matters to you. So, can you expect simplicity, affordability, and honesty from a 401(k) plan? Yes you can, and that's what The Green Agency, through its strategic alliance delivers and calls the 'best bang for your buc(k)!' We are the ***Best Value 401(k) plan*** for businesses with less than 50 employees. Period!

## *Unbiased investment choices*

A quality line up of 35+ no-load, multiple fund family mutual funds. Increase this selection, including stocks and bonds, by selecting our discount brokerage account available through Charles Schwab & Co., Inc.

## *True one-stop shopping*

From Plan Administration to Compliance, to Daily Valuation Record-keeping and Customer Service, we keep it all under one roof, one website and one toll free number. This is our definition of one-stop shopping!

## *Real people = live support*

We are web-based but not web-only. We understand the importance of having real people to answer your questions. So, you will never find your self caught in an endless phone menu or email loop. We are just a phone call away!

## *The team you can trust*

Delivering and servicing 401(k) plans for our small business clients is our sole focus.

## *Less than $100 per month!*

By committing to $100***** per month for a 401(k) plan, you can make a long lasting positive impact on your employees' lives. Can you think of any other $100 expense that gives you that kind of return? The pricing is simple, no hidden fees, no catches — just a low, all-inclusive setup fee, and a monthly flat fee based on your number of employees. *(*$100 is the net monthly cost to your company, after tax deductions and tax credit in 2003 and 2004.)*

## *The best value 401(k) plan for under $100 per month*

***'Our company is too small and can't afford the cost of a 401(k)' 'Maintaining a 401(k) will cost us thousands of dollars!' '...And the employer match will send our costs through the roof!'*** If these are some of the thoughts that come to mind when you think about starting a 401(k) plan, you need to consider our Online 401(k), Our solution is designed for businesses like yours to deliver simplicity, affordability and honesty in a 401(k) plan. **OurOnline 401(k) puts the cost of a 401(k) within reach.**

## *Consider This:*

Your 401(k) fees are a tax-deductible expense (the illustration below assumes that your business is in the 25% tax bracket) You can claim your $500 Tax Credit in 2003 and 2004 if this is the first time you put a 401(k) plan in place By committing to under $100 per month for a 401(k) plan, you will make a long lasting positive impact on your employees' lives. Can you think of any other $100 expense that gives you that kind of return? Here is some quick math showing how our monthly fees are less than $100 per month when you take advantage of the tax credit and the deduction.

## *Better Informed People Make Better Decisions:*

*Learn the truth About Wrap Fees in a 401(k) Plan! In addition to being the best value 401(k), The Online 401(k)™ is also the solution that puts your employees' interests first by not charging any wrap fees.*

- Wrap fees are taken as a percentage of each participant's 401(k) account. The larger the balance, the larger the fee!
- Wrap fees do NOT appear as a line item on participants' account statements. That's why they're called hidden fees!
- Over a period of 30 years, a 1% wrap fee will erode the average participant's 401(k) account of $127,637. This is hard-earned retirement savings that will not be available for use during retirement.
- *How can you avoid wrap fees?* — Ask 'Is there is a wrap fee (also called an asset-based fee) in this plan?'.

Ask 'What is the percentage of the wrap fee?'. There are alternatives, don't be fooled!

*Get an* ***instant web quote*** *at* ***WWW.GreenAdvisory.Com***
***or call 1.508.224.9646, you can direct your email to; Mgreen@GreenAdvisory.Com.***

## *Our Online 401(k) What is the Real Cost?*

**Request your copy of 'The Truth About Wrap Fees', our detailed calculation on the effects of wrap fees, by contacting us at MGreen@GreenAdvisory.Com our strategic Alliance Affiliate, turn-key Monthly Flat Fee $185.00 (up to 25 employees) Tax Deduction (monthly equivalent) ($46.25) Tax Credit (monthly equivalent) ($41.67)**

## After Tax Monthly Cost $97.08

***Still Seem Too Expensive? Cost Split With Your Employees!!*** **It's Easy:** Setup a Miscellaneous Payroll Deduction (e.g. $4.00 per pay period per participant) **It's Fair:** Just like with a health plan, your employees can share the cost of this valuable benefit!

## *Features Our Online 401(k) delivers on Investment Selection*

Access to 35+ no-commission, no-transaction fee mutual funds from multiple fund families including: Index, Equity, Bond, Money Market, Socially Responsible and Asset Allocation Funds.

- Customizable Mutual Fund List
- Any Stock or Bond through our Discount Brokerage Account available with Charles Schwab & Co., Inc.
- Fund performance and prospectuses available online, updated quarterly

## *Plan Design and Plan Setup*

- Flexible Plan Design Options (customize your Eligibility, Vesting, Matching, Loans)
- Safe Harbor Plan Available
- Conference Calls with our Plan Setup Specialists to help you choose the best options for your company
- Live, Web-Hosted Plan Sponsor Tour
- Dedicated Plan Conversion Manager leads the process, coordinating with your previous provider

## *Employee Services*

Employees have access to the following services and tools in their password-protected online accounts, available virtually any time.

Online Enrollment, ERISA 404(c) Compliant Investment Education, Loan Modeling and Application, Monthly Web Statements, Rollovers, Quarterly Statements with Personal Rate of Return, Detailed Transaction History, Account Balances, Beneficiary Form, Select and Change Investments, Plan Provision Information, Investment Advice through The Green Agency, A Registered Investment Advisor, or its strategic alliance, Financial Engines™, Dedicated Client Relationship Manager (available via toll free number and email).

## *Employer Services*

Employers have access to their password-protected Plan Sponsor for the day-to-day management of their plan.

Payroll Update Interface, Employee Census Interface, Important Forms & Procedures, Plan Data and Reports, Rollover PDF Form, Quarterly & Annual Participant Statements, Plan Sponsor FAQ, Dedicated Client Relationship Manager (available via toll free number and email).

## *Recordkeeping Services*

Daily Valuation Record-keeping (accounts are traded and priced every day the market is open).

## *Plan Administration and Compliance*

Non-Discrimination Testing (Top Heavy, ACP, ADP, Annual Additions) Included in Fees, IRS Form 5500 Filing Included in Fees, IRS Form 1099-R Filing, IRS Compliant Plan Documents, ERISA 404(c) Fiduciary Compliance Assistance, Trustee Services Available (via third party), ERISA Bonds Available (via third party).

*The Green Agency,*
*A Registed Investment Advisor*
*www.GreenAdvisory.Com*
*Mgreen@GreenAdvisory.Com*
*1.508.224.9646*

*Today, the business community finds itself in constant change. Global, National and local trends along with consumer demands that once took decades to mature are beginning to evolve overnight.*

*Our firm has existed since 1980 to respond to these demands and this brochure is an invitation to acquaint you with our advisory services. It is our goal to provide low-cost effective services, built toward results through years of financial expertise, that sets us apart from any other financial firm.*

*Since 1980, our firm provides superlative personalized services with a focus on results and efficient low - cost client advisory services. In fact, we are one of the lowest cost advisory firms that assures our clients of the lowest costs to facilitate there financial requirements.*

*Our firm offers a low- cost advisory, fee-only schedule, the sophistication of state-of-the-art account services for our advisory client. 24/7 on line account access, a full venue of securities superbly tailored to meet your most pertinent financial requirements.*

*We provide Personal Financial Analysis, Retirement Plan Consulting, Employee Benefits, Estate and Trust Planning, Business Planning, Private Account Management, Mortgages, Insurances, Pension Plan Administration, Investment Advisory.*

*The Financial Securities provided through our firm consists of high quality while providing a consistent level of wealth preservation to all our advisory client.*

*Since 1980, our firm's trade-mark is exceptional. "Our clients have never lost their initial principle of investment." Today, we are proud of this standard and look towards exceeding this standard while providing exceptional client advisory services.*

*The Green Agency is registered under the Investment Advisors Act of 1940 and Registered in the state of Massachusetts. Provisions of section 206 of the Investment Advisors Act of 1940 are strictly complied with in the execution of each client transaction.*

*Our firms ADV is available on request by our advisory clients on an annual offering and any disciplinary history of the advisor and its representatives can be obtained from the division.*

To determine if the investment(s) are an appropriate investment for you, carefully consider the investment objectives, risk factors and charges and expenses before investing. This and other information can be provided through our firm and or the issuer of a securities which may be obtained by calling The Green Agency (1-508-224-9646) or by emailing us at MGreen@GreenAdvisory.Com or visit us at www.Greenadvisory.com . There are risks involved with investing, including possible loss of principle. Risk controls, asset allocation models, and proprietary technology do not promise any level of performance or guarantees against loss of principle. No investment analysis tool can in and of itself be used to determine which securities to buy or sell or when to buy and sell them.

Our Private account Management are not sponsored, endorsed issued by Ameritrade, Inc., or Charles Schwab & Company, Inc. None of these companies or any third party provider make any representation regarding advisability of investing in any securities. Neither is any account custodian an affiliate of The Green Agency, An independent Investment Advisory. 04-30-2004.

# The Green Agency

*The Green Agency,*
*Green Advisory*

*1.508.224.9646*
*1.781.769.9095*

*www.GreenAdvisory.Com*
*MGreen@GreenAdvisory.Com*

*Providing Investment Advisory Since 1980*

## *Your Personal Invitation For Superlative Advisory Services*

Michael D. Green, Principle, A Registered Investment Advisor
Investment Management * Private Banking * Retirement Services * Trusts * Mortgage * Insurance
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* Structured Settlements * Business Continuation Planning * Estate Planning * Executive Benefits
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*We also provide Private Account Management for Individuals, Professionals, Trusts, and Corporations. Here is how we help you to take advantage of the new 15% tax rate on dividend income?*

*You are cordially invited to a free consultation and informative seminar that will show you how you can have access 50 of the Highest Dividend-Yielding Companies - and to learn more about the benefits of - All in one Private Account Management.*

*Our Private Account Management offers you diversification with a pre-screened basket of securities, making investing in income-yielding securities easier and more cost effective than ever.*

*With this free consultation and informative meeting to be announced, we will show you ;*

- *50 of the highest dividend-paying companies in the Dow Jones Total market Index.*
- *Providing liquidity, dividend growth and consistency.*
- *Strong asset growth in the portfolio - over $1 billion since November 2003.*
- *Cost - effective, our services helps you avoid high cost brokerage commissions, deferred sales loads, saving you thousands of dollars on high cost commissions.*

*Want to know more about ETF's ? Your free consultation will review the entirety about (Exchange Traded Funds) and how you can benefit from working with a senior advisory that spans over twenty years of exceptional results.*

*Stop paying high commissions, sales loads, and avoid the fund management scandals that can cost you thousands of unnecessary dollars.*

*Call today, for a free, no-obligation review or call to attend one of our informative scheduled presentations that are held each month in your location. Seating is limited so call today to reserve your attendance.*

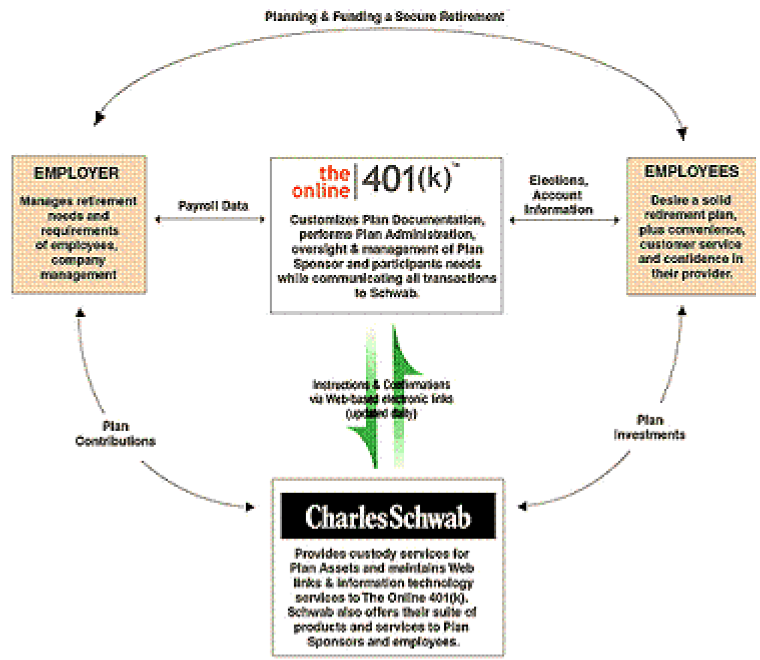
*Call our firm at 1.508.224.9646 and stop paying high cost for poor results and schedule your free review today.*

*How we work with Charles Schwab & Company, Inc., Member SIPC/NYSE.*

*How we work with Schwab*

*Together with Schwab, The Green Agency, is committed to help you design and set up a retirement plan that fits your company's unique needs.*

*Our Retirement Plan services can provide you with an efficient web-based record-keeping and administration platform and as your advisory and Schwab, together we can provide you with investment choice and asset protection backed by the reputation of an established financial leader. Together. we can bring you and your participants an exceptional full-service retirement plan solution.*




State-of-the-art technology, providing 24/7 online account access, research, no-cost transaction fee's (Core Funds) Stocks, Bonds, Reits, CD's, Tax Exempt Bonds, TIPS, Income Securities, Annuities, Mortgages and Investment Advisory.

We are a fee-only advisory, saving our clients from the high-cost of commissions, hidden fees, along with twenty four years of superlative results.

# ASSESSING YOUR RISK TOLERANCE

The New York Institute of Finance has developed a questionnaire to help you assess your risk tolerance. Circle what seems to be the most appropriate response for each question. In most cases, there are no right or wrong answers. When you are finished, total your points based on the values in the score key and interpret your risk tolerance based on your total score.

**1** In which age group do you fall?

- **A** 30 or under
- **B** 31 to 44
- **C** 45 to 54
- **D** 55 to 64
- **E** 65 or over

**2** What is your investment horizon—for how long can you let your money grow?

- **A** More than 20 years
- **B** 15 to 20 years
- **C** 10 to 14 years
- **D** 5 to 9 years
- **E** Under 5 years

**3** For how long have you been investing in mutual funds or directly in stocks or bonds?

- **A** More than 10 years
- **B** 5 to 10 years
- **C** 3 or 4 years
- **D** 1 or 2 years
- **E** Less than a year

**4** In which range does your household salary fall?

- **A** More than $100,000
- **B** $75,000 to $100,000
- **C** $50,000 to $75,000
- **D** $25,000 to $50,000
- **E** Less than $25,000

**5** How many dependents do you have, including grown children and elderly parents, who depend on your financial assistance?

- **A** None
- **B** 1
- **C** 2
- **D** 3 or 4
- **E** 5 or more

**6** How do you expect your employment income will change over the next several years?

- **A** I anticipate a steadily growing income.
- **B** I expect a fairly level income.
- **C** I think it will fluctuate widely.
- **D** I anticipate my income will probably trend downward.
- **E** I fear I might lose my job or I plan to retire.

**7** Which statement best describes how you plan to add or subtract money from your investment portfolio in the near future?

- **A** I expect to add a significant amount of cash regularly to my portfolio.
- **B** I think I can add only modest amounts of cash on an infrequent basis.
- **C** I do not plan to funnel any more money into my portfolio, but I don't anticipate making any withdrawals either.
- **D** I will withdraw modest sums from my portfolio on a regular basis to help meet living expenses.
- **E** I must take out sizeable amounts of money from my portfolio regularly to meet living expenses.

## 8 How would you describe your financial "cushion" to meet unexpected emergencies?

**A** *More than adequate.* I have more than enough cash in a money-market fund or other short-term investments to meet my needs. I may even carry more insurance than I require.

**B** *Adequate.* I have ample liquid assets. I have enough insurance and my monthly obligations are manageable.

**C** *Borderline.* I have a modest amount of cash and some insurance. But I may need to dip into my investments or borrow in an emergency.

**D** *Inadequate.* My reserves are insufficient at the present time.

## 9 How important is a regular stream of investment income to you?

**A** *Unimportant.* My goal is to build up a nest egg over the long haul.

**B** *Somewhat important for peace of mind.* I prefer a modest income from my portfolio even though I don't really need it. I simply feel more comfortable holding investments that generate cash.

**C** *Important.* Investment income helps make ends meet, but I'm not totally dependent on it.

**D** *Highly important.* Investment income provides for the majority of my needs. I want investments that produce cash on a highly predictable basis.

## 10 What's your attitude toward insurance?

**A** I don't believe in having any more insurance than is absolutely necessary.

**B** I have adequate coverage, but I buy policies with high deductibles to lower my premiums.

**C** I have adequate insurance and my deductibles are low.

**D** I stay well insured because I'm highly adverse to suffering large losses. I spend more for policies with low deductibles because I want maximum coverage.

## 11 Which statement best describes your knowledge about investing?

**A** *Highly Knowledgeable.* I have a very good understanding about how the stock and bond markets work, and I spend considerable time keeping up with financial happenings.

**B** *Somewhat Knowledgeable.* I have a fair comprehension of investing, but I'd like to know more.

**C** *Minimal Knowledge.* I don't know much about the financial world.

**D** *Neophyte.* I know virtually nothing about investing and don't find the subject that interesting.

## 12 Which of the following statements best describes your investment experience?

**A** *Extensive.* I have invested in a variety of vehicles including stocks, bonds, and mutual funds. I'm a do-it-yourself investor. I have experienced a bear market or two.

**B** *Average.* I have some experience in mutual funds and stocks. I do my own research but sometimes use the advice of others.

**C** *Limited.* I have invested in mutual funds and a few stocks, but my expertise is limited and I rely on a financial professional to guide me.

**D** *Slight.* I mostly stick with savings vehicles such as certificates of deposit, although recently I have begun to participate in a tax-deferred retirement plan through work.

**E** *Virtually none.* I'm new to the area of investing.

## 13 How would you react if your portfolio of stocks or stock funds plunged 30 percent in a bear market?

**A** I wouldn't be upset because I have a long time horizon and could use this as an opportunity to invest more at bargain prices.

**B** I would be somewhat concerned because a 30 percent paper loss is substantial. I wouldn't throw in the towel and sell though.

**C** I wouldn't feel comfortable in this situation. I'm not sure what I would do.

**D** I would probably sell before I lost even more money.

**E** I would not have invested in stocks in the first place because I can't tolerate the risks.

**14** Suppose you can invest $10,000 in one of five portfolios with preset payoffs but you won't know your outcome until five years from now. The two payoffs are equally likely. For example, with pair A, you would invest $10,000 now and in 5 years, you would have an equal chance of getting either $50,000 or $5,000. Which pair do you prefer?

- **A** Payoff of $50,000 or $5,000
- **B** Payoff of $30,000 or $10,000
- **C** Payoff of $25,000 or $12,000
- **D** Payoff of $20,000 or $15,000
- **E** Payoff of $18,000 or $17,000

**15** Which of the following statements best describes your investment philosophy?

- **A** I like to keep up with fast-moving investments day to day. These include options, futures, initial public offerings, and volatile funds, and I like to invest using borrowed money.
- **B** I expect my investments to "beat the market." Money managers should have no trouble outperforming market benchmarks such as the Dow Jones Industrial Average, and I think I can do the same by buying individual stocks.
- **C** I recognize that it's very difficult to beat a broad market indicator such as the Standard & Poor's 500 index. I would be happy if my stock investments just matched the market over the long pull.
- **D** My philosophy is to "play it safe" with money-market funds, high-quality bond funds, certificates of deposit, and individual bonds. Stocks are not for me.

*Total your points based on the values in the score key.*

## Risk Tolerance Score Key

| Question | A | B | C | D | E |
|---|---|---|---|---|---|
| **1** | 10 | 8 | 6 | 3 | 1 |
| **2** | 10 | 7 | 5 | 3 | 1 |
| **3** | 7 | 5 | 3 | 1 | 0 |
| **4** | 8 | 6 | 4 | 2 | 1 |
| **5** | 7 | 5 | 3 | 2 | 0 |
| **6** | 6 | 4 | 3 | 2 | 0 |
| **7** | 6 | 4 | 2 | 1 | 0 |
| **8** | 6 | 4 | 2 | 0 | NA |
| **9** | 6 | 4 | 2 | 1 | NA |
| **10** | 5 | 4 | 3 | 1 | NA |
| **11** | 4 | 3 | 2 | 0 | NA |
| **12** | 5 | 3 | 2 | 1 | 0 |
| **13** | 6 | 4 | 2 | 1 | 0 |
| **14** | 8 | 6 | 4 | 2 | 1 |
| **15** | 6 | 4 | 2 | 0 | NA |

**TOTAL = ____________ POINTS**

# Your score can be interpreted as follows:

**71 – 100 Above-Average Risk Tolerance**

Individuals scoring in the upper end of this range have significantly greater tolerance than those at the lower end, but people in both situations should put stocks and stock funds at the core of their portfolios.

**46 – 70 Average Risk Tolerance**

Again, there is a large difference between those at the extreme ends of the range, but all investors in this second category should make at least some use of stocks or stock funds.

**21 – 45 Low Risk Tolerance**

Many in this range may be older individuals who perhaps lack adequate financial resources or investment experience. If possible, they should maintain a small footing in stock investments in an attempt to stay ahead of inflation.

**20 or less Extremely Low Risk Tolerance**

People scoring this low are probably too conservative to enter the stock market.

Your age is often the single most important determinant of your asset allocation, so consider the following age-specific guidelines as rough rules of thumb:

- Conservative investors with a fairly low risk tolerance should consider a stock allocation percentage equal to 100 minus their age. These people might split the balance—equal to their age—between cash and bonds. For example, a conservative 30-year-old would have 70 percent in stocks and 30 percent in bond and money market funds.
- Moderate investors might boost their stock allocation percentage to 110 minus their age. So a moderate 40-year-old would have a 70/30 split in favor of stocks and stock funds.
- Aggressive investors with a high risk tolerance could use 120 minus their age as a target. A bold 50-year-old would have 70 percent in the stock market.