



January 1, 2014

Ms. Simmons, Esq.  
Simmons LLP  
3 Third Avenue, 36th Floor  
New York, NY 10022

Re: *Smith v. Smith – Net Worth Forecaster*

Dear Ms. Simmons:

This letter describes the forecasts prepared by BST which forecast Ms. Smith's future financial circumstances based upon possible settlement scenarios and assumptions provided by counsel. The investable assets and retirement funds in the forecasts are limited to the amounts assumed to be distributed to Ms. Smith in connection with the divorce. The forecasts are shown in the appendices to this report.

The starting point of the forecast is an estimation of Ms. Smith's current and future expenses, as shown in **Appendix A**. The column labeled "Monthly Expenses, Per SNW" lists each expense as it is stated on her statement of net worth. Ms. Simmons provided adjustments to the expenses which removed child-related expenses and modified them to arrive at her personal prospective expenses.

**Appendix B** shows Ms. Smith's annual cash surplus or shortfall based upon certain assumptions provided by counsel. The assumptions utilized in this forecast are:

1. Wages/Income: Ms. Smith will continue in her current employment until the approximate age of 65, with 1.0% annual wage increases.
2. Spousal Maintenance (alimony): With the assumption that Ms. Smith should not deplete her retirement funds until age 94, she requires \$150,000 in taxable spousal maintenance (alimony) in the seven years following the date of the divorce agreement.
3. Social Security: Ms. Smith will begin receiving social security payments based upon her own lifetime contributions at or around age 66. These amounts are based upon her current accrued benefits, and are assumed to increase at 1.5% each year.

4. Defined Benefit Pension: Ms. Smith has accrued a pension through her work. It is assumed that she will begin receiving payments at approximately age 65, and an increase at approximately 1% each year.
5. Payroll and Income Taxes: The payroll taxes were calculated based solely on Ms. Smith's wages. Income taxes were estimated based upon the Federal, State, and City rates currently in effect.
6. Total Expenses: The assumptions for the expenses are stated in Appendix A. Aside from health insurance (see Appendix A notes), these expenses are assumed to increase at a 2.35% annual rate of inflation, as stated in the Livingston Survey published by the Federal Reserve.

*Appendix C* shows the forecast of Ms. Smith's investable assets and retirement funds. The \$700,000 in investable assets and \$1,245,000 in retirement assets were provided to BST by counsel, and are the assumed level of assets to be distributed to Ms. Smith per the proposed divorce settlement. Counsel provided an after-tax rate of return of 3.5% and a pre-tax rate of return of 5.4%. The 3.5% after-tax rate of return was applied to the average investable assets each year, and the 5.4% pre-tax rate was applied to the average annual retirement assets.

The annual cash shortfall or surplus from Appendix B is first added or subtracted from the value of the forecasted investable assets. Once the investable assets are depleted, the cash shortfall (pre-tax) is then subtracted from the retirement assets. Income taxes are due on distributions from pre-tax retirement funds, so Ms. Smith's future marginal tax rates were utilized to determine the pre-tax distribution necessary to meet the after-tax cash shortfall.

*Appendix D* provides a graphical representation of Ms. Smith's total forecasted investable assets and retirement funds (blue line), the annual surplus or distribution from her investable assets (orange line) and annual distribution from her retirement funds (red line).

### *Summary*

Based upon the assumptions stated herein, Ms. Smith will deplete her investable assets by age 76, and she will deplete her retirement funds by age 94. With the assumed spousal maintenance and other assumptions in the attached forecasts, Ms. Smith is expected to meet her living expenses for approximately 10 years past her statistical life expectancy of age 83.

Very truly yours,

BST LLP



## Appendix A – Ms. Smith’s Budgeted Expenses

	Monthly Expenses,		Monthly Adjusted	Notes
	Per SNW	Adjustment	Expenses	
Rent	\$ 1,900	\$ 80	\$ 1,980	Due to increases in 2012 and 2013
Utilities	850	(139)	711	Reductions in cost of cable and cell phone.
Food / Groceries	2,500	(1,550)	950	Removed school lunches, grocery expense to \$1,000.
Clothing	200	50	250	Adjustment to remove children's clothing expenses, and other adjustments per Ms. Smith and Ms. Simmons.
Laundry	100	-	100	
Insurance	2,500	(2,000)	500	Excluded life insurance, included \$420/month for COBRA for 36 months; Utilized \$1,900 for health insurance, and \$50 for dental insurance after 36 months of COBRA.
Unreimbursed Medical - Out of Pocket / Deductibles	500	-	500	
Household Maintenance	150	-	150	
Household Help	300	-	300	
Auto - Car Payments	-	500	500	Disposal of SUV and new lease of \$400/month, plus amortization of downpayment every 3 years.
Auto - Repairs	500	(450)	50	Due to new lease, repairs expected to decrease.
Auto - Parking, Tolls, Gas, Registration, etc.	300	50	350	\$50 increase in gas.
Educational	2,000	(2,000)	-	Removed educational expenses.
Recreational	1,100	(600)	500	Removal of summer camp, toys and hobbies, and video games expenses.
Miscellaneous	2,000	(1,300)	700	Per Ms. Simmons and Ms. Smith.
Monthly Total	\$ 14,900	\$ (7,359)	\$ 7,541	
Annual Total	\$ 178,800	\$ (88,308)	\$ 90,492	

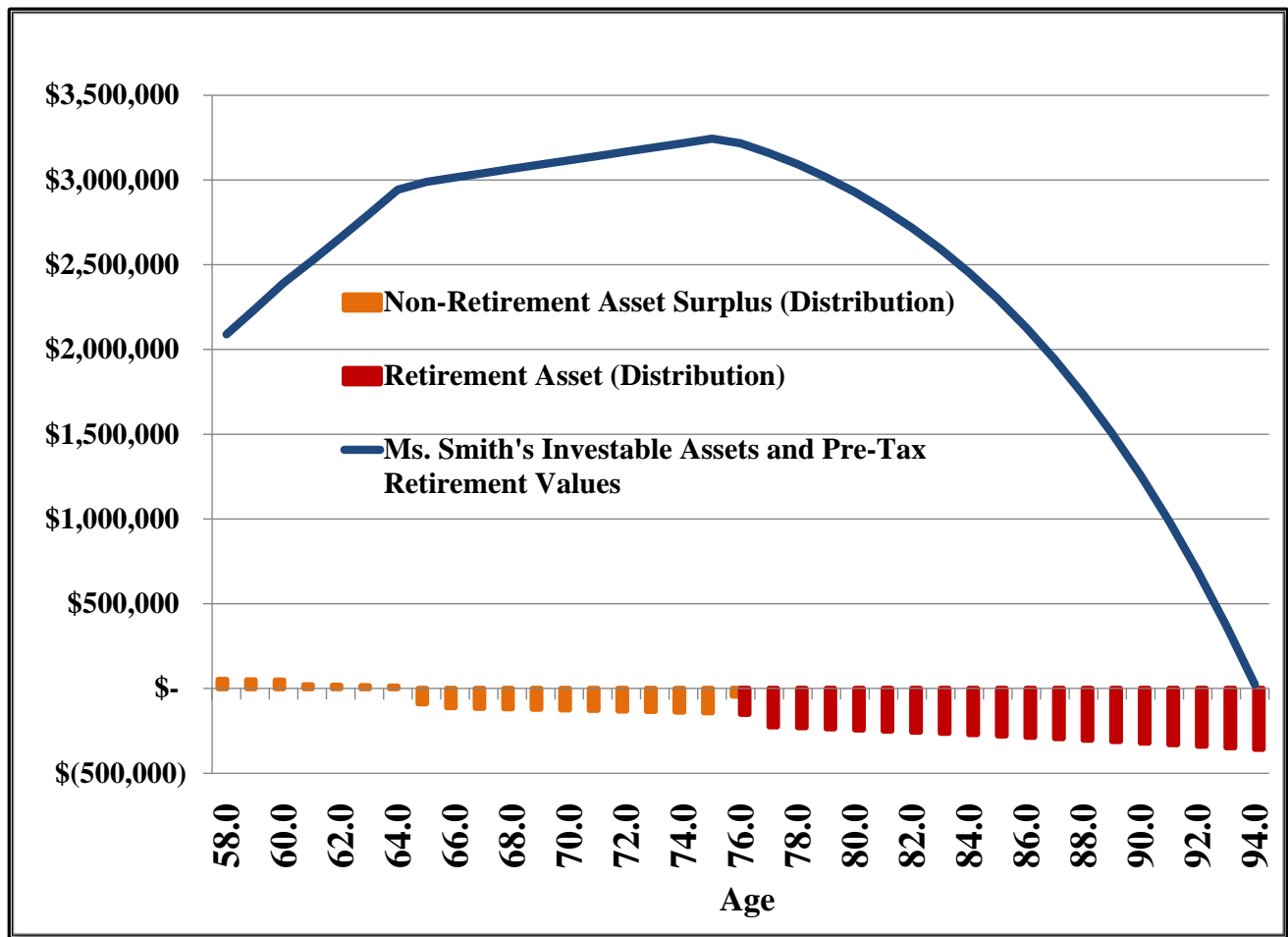
## Appendix B – Forecast of Ms. Smith’s Cash Surplus (Shortfall)

For the Period Beginning	Ms. Smith's Age	Pre-Tax Spousal Wages Maint.	Social Security Income	Pension Income	Total Income	Payroll Taxes	Income Taxes	Total Income (Net of Taxes)	Total Expenses	Cash Surplus (Shortfall)	
3/31/2014	57.0	\$ 60,000	\$ 150,000	\$ -	\$ -	\$ 210,000	\$ (4,590)	\$ (60,954)	\$ 144,456	\$ (92,619)	\$ 51,837
3/31/2015	58.0	60,600	150,000	-	-	210,600	(4,636)	(61,183)	144,781	(94,795)	49,986
3/31/2016	59.0	61,206	150,000	-	-	211,206	(4,682)	(61,416)	145,108	(97,023)	48,085
3/31/2017	60.0	61,818	150,000	-	-	211,818	(4,729)	(61,651)	145,438	(124,364)	21,074
3/31/2018	61.0	62,436	150,000	-	-	212,436	(4,776)	(61,888)	145,772	(127,286)	18,486
3/31/2019	62.0	63,061	150,000	-	-	213,061	(4,824)	(62,128)	146,108	(130,277)	15,831
3/31/2020	63.0	63,691	150,000	-	-	213,691	(4,872)	(62,369)	146,450	(133,339)	13,111
3/31/2021	64.0	64,328	-	-	-	64,328	(4,921)	(12,717)	46,690	(136,472)	(89,782)
3/31/2022	65.0	-	-	20,172	10,937	31,109	-	(3,864)	27,245	(139,679)	(112,434)
3/31/2023	66.0	-	-	20,475	11,047	31,521	-	(3,952)	27,569	(142,962)	(115,393)
3/31/2024	67.0	-	-	20,782	11,157	31,939	-	(4,042)	27,897	(146,321)	(118,425)
3/31/2025	68.0	-	-	21,093	11,269	32,362	-	(4,132)	28,230	(149,760)	(121,530)
3/31/2026	69.0	-	-	21,410	11,381	32,791	-	(4,224)	28,567	(153,279)	(124,712)
3/31/2027	70.0	-	-	21,731	11,495	33,226	-	(4,318)	28,908	(156,881)	(127,973)
3/31/2028	71.0	-	-	22,057	11,610	33,667	-	(4,413)	29,254	(160,568)	(131,314)
3/31/2029	72.0	-	-	22,388	11,726	34,114	-	(4,508)	29,606	(164,342)	(134,736)
3/31/2030	73.0	-	-	22,724	11,843	34,567	-	(4,606)	29,961	(168,204)	(138,242)
3/31/2031	74.0	-	-	23,064	11,962	35,026	-	(4,704)	30,322	(172,156)	(141,834)
3/31/2032	75.0	-	-	23,410	12,082	35,492	-	(4,804)	30,688	(176,202)	(145,514)
3/31/2033	76.0	-	-	23,762	12,202	35,964	-	(4,905)	31,059	(180,343)	(149,284)
3/31/2034	77.0	-	-	24,118	12,324	36,442	-	(5,008)	31,434	(184,581)	(153,146)
3/31/2035	78.0	-	-	24,480	12,448	36,927	-	(5,112)	31,815	(188,918)	(157,103)
3/31/2036	79.0	-	-	24,847	12,572	37,419	-	(5,218)	32,201	(193,358)	(161,157)
3/31/2037	80.0	-	-	25,220	12,698	37,917	-	(5,324)	32,593	(197,902)	(165,308)
3/31/2038	81.0	-	-	25,598	12,825	38,423	-	(5,432)	32,991	(202,553)	(169,562)
3/31/2039	82.0	-	-	25,982	12,953	38,935	-	(5,542)	33,393	(207,313)	(173,920)
3/31/2040	83.0	-	-	26,372	13,083	39,454	-	(5,654)	33,800	(212,184)	(178,384)
3/31/2041	84.0	-	-	26,767	13,213	39,981	-	(5,767)	34,214	(217,171)	(182,957)
3/31/2042	85.0	-	-	27,169	13,346	40,514	-	(5,881)	34,633	(222,274)	(187,641)
3/31/2043	86.0	-	-	27,576	13,479	41,055	-	(5,997)	35,058	(227,498)	(192,439)
3/31/2044	87.0	-	-	27,990	13,614	41,604	-	(6,115)	35,489	(232,844)	(197,355)
3/31/2045	88.0	-	-	28,410	13,750	42,160	-	(6,234)	35,926	(238,316)	(202,390)
3/31/2046	89.0	-	-	28,836	13,887	42,723	-	(6,355)	36,368	(243,916)	(207,548)
3/31/2047	90.0	-	-	29,268	14,026	43,295	-	(6,478)	36,817	(249,648)	(212,832)
3/31/2048	91.0	-	-	29,707	14,167	43,874	-	(6,602)	37,272	(255,515)	(218,243)
3/31/2049	92.0	-	-	30,153	14,308	44,461	-	(6,728)	37,733	(261,520)	(223,786)
3/31/2050	93.0	-	-	30,605	14,451	45,057	-	(6,855)	38,202	(267,665)	(229,464)

## Appendix C – Forecast of Ms. Smith’s Investable Assets and Retirement Funds

Non-Retirement Investable Assets						Retirement (Pre-Tax) Assets			
For the Period Beginning	Ms. Smith's Age	Beginning of Period Balance	Gains & Income, Net of Taxes	Cash Surplus (Shortfall)	End of Period Balance	Beginning of Period Balance	Gains & Income, Pre-Tax	Pre-Tax Distribution	End of Period Balance
3/31/2014	57.0	\$ 700,000	\$ 25,407	\$ 51,837	\$ 777,245	\$ 1,245,000	\$ 67,038	\$ -	\$ 1,312,038
3/31/2015	58.0	777,245	28,078	49,986	855,309	1,312,038	70,648	-	1,382,687
3/31/2016	59.0	855,309	30,777	48,085	934,171	1,382,687	74,452	-	1,457,139
3/31/2017	60.0	934,171	33,065	21,074	988,310	1,457,139	78,461	-	1,535,600
3/31/2018	61.0	988,310	34,914	18,486	1,041,711	1,535,600	82,686	-	1,618,287
3/31/2019	62.0	1,041,711	36,737	15,831	1,094,279	1,618,287	87,139	-	1,705,425
3/31/2020	63.0	1,094,279	38,529	13,111	1,145,919	1,705,425	91,831	-	1,797,256
3/31/2021	64.0	1,145,919	38,536	(89,782)	1,094,673	1,797,256	96,775	-	1,894,031
3/31/2022	65.0	1,094,673	36,346	(112,434)	1,018,584	1,894,031	101,986	-	1,996,017
3/31/2023	66.0	1,018,584	33,631	(115,393)	936,823	1,996,017	107,478	-	2,103,495
3/31/2024	67.0	936,823	30,716	(118,425)	849,114	2,103,495	113,265	-	2,216,760
3/31/2025	68.0	849,114	27,592	(121,530)	755,177	2,216,760	119,364	-	2,336,124
3/31/2026	69.0	755,177	24,249	(124,712)	654,713	2,336,124	125,791	-	2,461,916
3/31/2027	70.0	654,713	20,675	(127,973)	547,415	2,461,916	132,565	-	2,594,480
3/31/2028	71.0	547,415	16,862	(131,314)	432,963	2,594,480	139,703	-	2,734,183
3/31/2029	72.0	432,963	12,796	(134,736)	311,023	2,734,183	147,225	-	2,881,408
3/31/2030	73.0	311,023	8,467	(138,242)	181,247	2,881,408	155,153	-	3,036,561
3/31/2031	74.0	181,247	3,862	(141,834)	43,275	3,036,561	163,507	-	3,200,068
3/31/2032	75.0	43,275	-	(43,275)	-	3,200,068	168,225	(151,766)	3,216,528
3/31/2033	76.0	-	-	-	-	3,216,528	167,149	(224,647)	3,159,030
3/31/2034	77.0	-	-	-	-	3,159,030	163,889	(230,752)	3,092,166
3/31/2035	78.0	-	-	-	-	3,092,166	160,120	(237,005)	3,015,281
3/31/2036	79.0	-	-	-	-	3,015,281	155,808	(243,411)	2,927,678
3/31/2037	80.0	-	-	-	-	2,927,678	150,914	(249,971)	2,828,622
3/31/2038	81.0	-	-	-	-	2,828,622	145,399	(256,690)	2,717,331
3/31/2039	82.0	-	-	-	-	2,717,331	139,220	(263,644)	2,592,907
3/31/2040	83.0	-	-	-	-	2,592,907	132,316	(271,225)	2,453,998
3/31/2041	84.0	-	-	-	-	2,453,998	124,627	(278,995)	2,299,630
3/31/2042	85.0	-	-	-	-	2,299,630	116,101	(286,955)	2,128,775
3/31/2043	86.0	-	-	-	-	2,128,775	106,681	(295,113)	1,940,343
3/31/2044	87.0	-	-	-	-	1,940,343	96,310	(303,473)	1,733,180
3/31/2045	88.0	-	-	-	-	1,733,180	84,924	(312,037)	1,506,067
3/31/2046	89.0	-	-	-	-	1,506,067	72,459	(320,812)	1,257,713
3/31/2047	90.0	-	-	-	-	1,257,713	58,844	(329,804)	986,754
3/31/2048	91.0	-	-	-	-	986,754	44,006	(339,014)	691,745
3/31/2049	92.0	-	-	-	-	691,745	27,866	(348,450)	371,161
3/31/2050	93.0	-	-	-	-	371,161	10,344	(358,116)	23,389

## Appendix D – Forecast of Ms. Smith’s Investable Assets and Retirement Funds



## **Appendix E – Contingent and Limiting Conditions**

The analyses presented in this report assumed the accuracy and completeness of the information, documents, financial statements, and representations furnished by counsel and the client. Additionally, we conducted this engagement based upon documentation that was made available to us. We did not conduct our own due diligence with regard to the documentation provided beyond the due diligence we determined was necessary for this engagement.

Possession of this report, or copy thereof, does not carry with it the right of publication of all or part of it. Written consent from our office is required prior to publication. If consent is obtained to publish this report, it is agreed that it will be reproduced in its entirety. We take no responsibility for the results of reliance on excerpts of this report, since to do so may result in information being taken out of the context for which this report is intended.

We relied upon the client and counsel for certain significant assumptions which impact the results of the forecast. We make no warranty that the forecasts or assumptions presented herein will be realized.